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Teenage buying power: $46 billion
Child World primed for key selling season

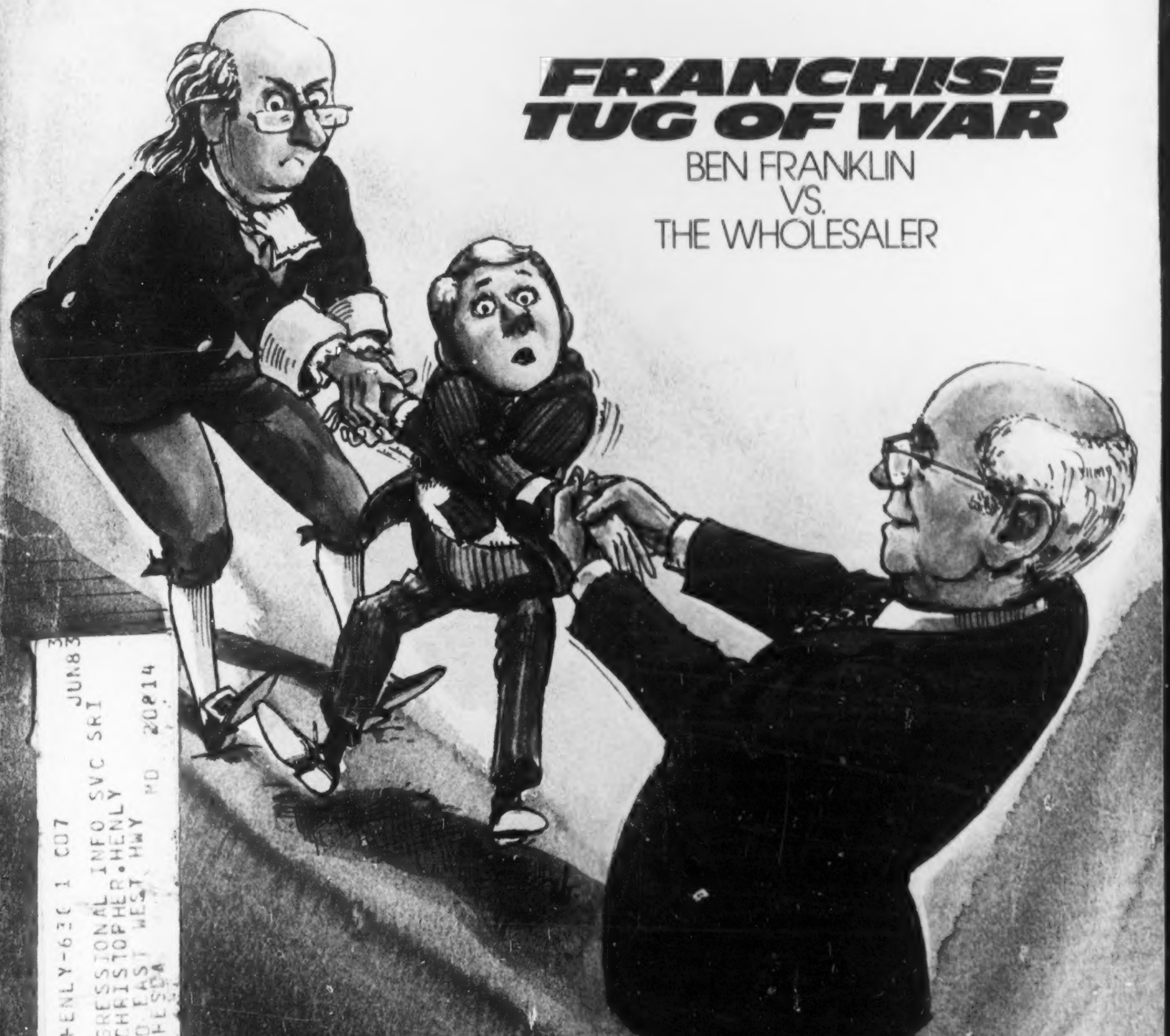
Chain Store Age

GENERAL MERCHANDISE EDITION October 1982

ISSUED IN TWO SECTIONS SECTION ONE

FRANCHISE TUG OF WAR

BEN FRANKLIN VS. THE WHOLESALER



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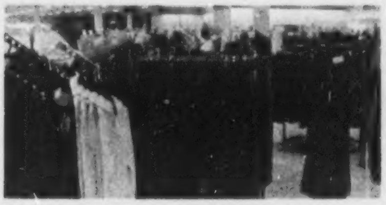

Montgomery Ward

What do National City, Long Beach and San Mateo, Calif., have in common with Merrillville, Ind.? All are serving as test markets for Montgomery Ward's back-to-basics strategy. Chief exec Stephen Pistner's repositioning plans will combine the self-service efficiencies of discounting with his Impact program—making fashion statements with merchandise 25

Upscale magazines

Upscale publications embracing a magazine-style format have emerged as image-building vehicles for dept. stores. Sakowitz, Burdines, Jordan Marsh and Neiman-Marcus have all launched magazines in the mold of *Vogue* and *W*. Although not intended to replace traditional catalogs, in-store magazines may be the best way to target the young, upscale shopper ... 39

Teen buying clout

As consumers, teens represent a market segment with tremendous purchasing power and one just now developing its own shopping habits and patterns. Teens purchased a total of $42.6 billion in goods in 1981 and will spend an estimated $45.6 billion by year's end. Beneficiaries of this spending spree: entertainment, apparel and personal care products 58

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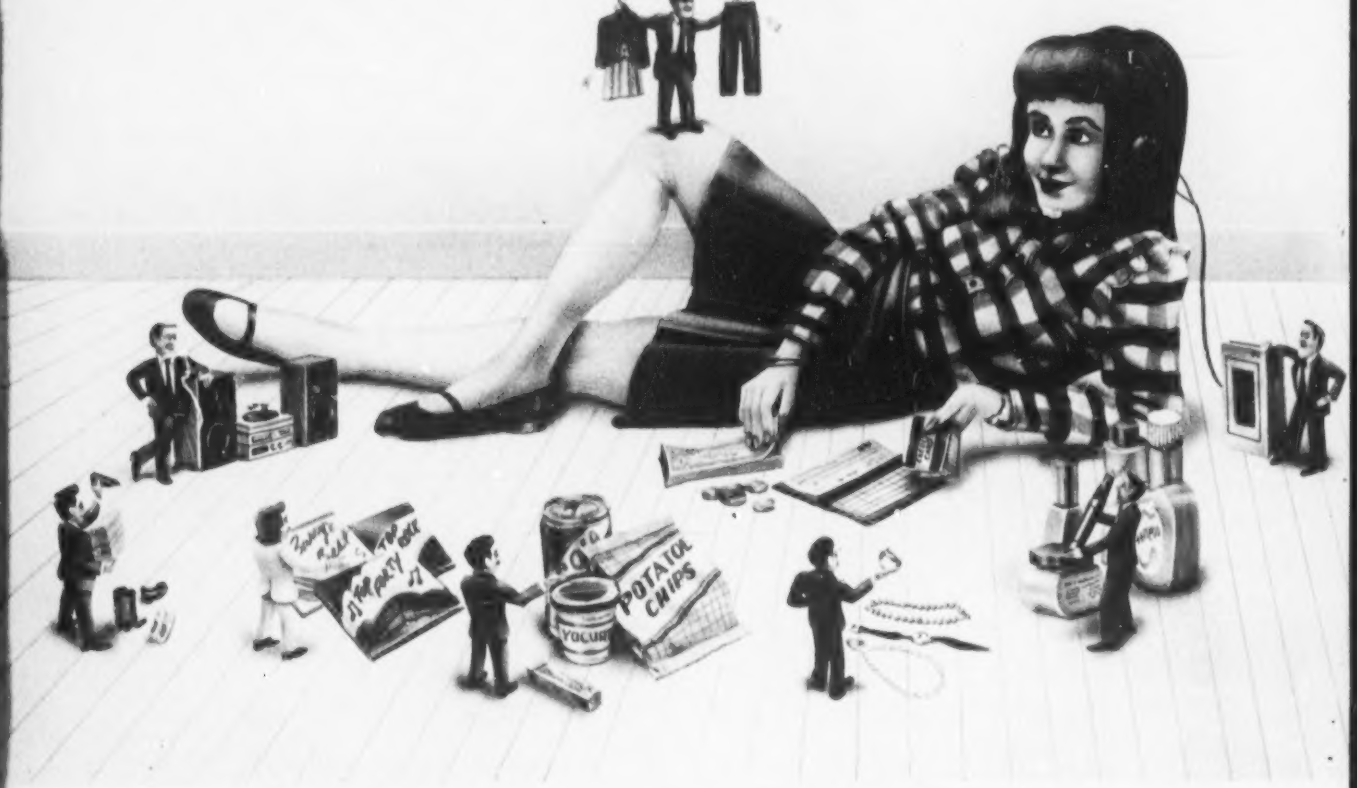
LIFESTYLE MERCHANDISING

Teen buying clout, beyond their years



☐ Unsure, awkward, exciting, emotional, educational, enviable—just a few words often used to describe the teen years. For many merchants, however, the term teens represents a more practical and important association. As consumers, teens are a market segment with tremendous purchasing power and one just developing its own shopping patterns and habits.

"Teen Age Economic Power," a 1981 survey of 3,201 teens conducted by The Rand Youth Research Institute (a marketing research firm monitoring youth economic trends for 29 years), showed that teens purchased a total of $42.6 billion in goods in '81, up from 80's $39.1 billion, and will spend an estimated $45.6 billion by year's end. Big beneficiaries of this spending spree were items from the following areas: entertainment, apparel, foods and snacks, hobbies, records and tapes, magazines, books (hardcover and paperbacks), school supplies, cosmetics, personal care/grooming products, jewelry, cigarettes, automobiles and gasoline.

Surprisingly, while teen purchasing power is on the upswing, the teen population is, in fact, declining. The latest Census Bureau statistics show that Americans between the ages of 13 and 19 represent only 12% of the total United States population of 229.3 billion vs. their 13.7% share of 1975 population of 215.5 billion. Of the total teen population, 39.7% fall between 13 and 15 years of age while 60.3% are between 16 and 19.

Even though both age groups demonstrate considerable buying power and influence on family buying decisions, it is the older segment that accounts for more spending due to independent incomes. The number of teens working today is significantly higher than previous generations. Current statistics show that four billion teens are employed part-time (working less than 35 hours a week). Since these teens have little or no financial commitments, they have more disposable income.

Furthermore, The Rand Survey notes that teens also influence parents considerably on product purchases. Two-thirds of the teens polled said they personally urged parents to buy specific products for the home and family.

"The College Market," a study

What teenage girls spend on[1]

Category	Annual Expenditure*
Apparel	$13,544,000
Health & beauty aids	4,893,000
Footwear	3,031,000
Movies & entertainment	2,592,000
Snacks	2,192,000
Records	1,198,000
Jewelry	1,191,000

[1]1982 estimated expenditures.
**000 have been omitted.*
Source: *Seventeen* magazine

conducted by Belden Associates, a research and marketing organization for CASS Student Advertising, polled 507 students from 25 universities throughout the United States and found that they are earning and spending more than ever. The study, which was conducted in February '82, showed:

- An average $224 per month is spent on entertainment, snacks and beverages, up from $100 in 1975
- 47% of the students reported their discretionary income came from their own job or income
- 89% have a checking account
- 64% have a savings account
- 25% have a department store credit card
- 19% have a Visa credit card

What are teens buying? A top scorer for teens is entertainment—including stereos, (see chart), televisions, electronic games, records, tapes, cameras, movies and books—followed closely by apparel (see chart) and personal care products. No longer just a BTS and holiday season shopper, retailers are crediting added sales throughout the year to increased teen spending.

Even though retailers polled were hard pressed to say what per cent of sales could be attributed to teens, other than the soft lines areas, all agreed that the buying clout of this consumer group has expanded significantly. Furthermore, while the types of advertising merchants use to attract this young shopper differ, the time periods for advertising tend to be identical. Back-to-school leads the way with the Christmas and Easter selling seasons right behind. While some stores rely on in-store promotions—fashion shows, how-to classes and seminars—to encourage teen spending, others choose to sell the store as a complete center for all teen needs in their advertisements. Department and specialty stores in particular, zero in on the special events and in-store promotions to capture teens' attention.

Michael Feuer, vice president of marketing for Fabri-Centers of America, the Ohio-based fabric spe-

'Reading it' sells teens

MAKEUP CREW

Magazine inserts *are K mart's strategy for reaching teens.*

☐ "Our primary method for reaching the teen audience is magazines and radio ads rather than newspapers," says Susan McKelvey of Troy, Mich.-based K mart.

In the August issue of *Teen* magazine, K mart used a new strategy to catch the eyes of teen readers. A 12-page, all-color insert (5½ in. by 7½ in.) featured not only apparel—jeans, skirts, jackets and activewear—but accessories and small electrics such as clock radios, tape recorders and hand-held hair dryers, along with three full pages devoted to brand-name cosmetics. While some of the apparel was branded (N'est-ce pas? and Wrangler), the majority was not.

Like K mart, Sears concentrates its advertising to teens on radio and in magazines. A highly successful example of matching the merchandise to the audience is Sears' Cheryl Tiegs Sportswear line. Air time on youth-oriented radio stations, along with regular ads in magazines like *Glamour* and *Seventeen* has contributed substantially to the success of the line. "Our promotion of the Tiegs line has secured a solid teen customer base," says a chain spokesman.

Although television is often regarded as the best way to reach today's TV-weened teens, a survey conducted for CASS Student Advertising by Belden Associates shows otherwise. "The College Market" poll questioned 507 college students in 25 universities across the country, and indicated that college newspapers were the most effective way to reach this customer, consistently.

Among the students, 83% reported they read their college paper within the last seven days. And while 64% said they read an issue of a daily newspaper within the last week, only 51% said they watched one hour of TV with 36% reporting they watched no TV at all. ☐

Supermarkets reflect teen likes

	Per cent*
Good quality	14.2
Convenient	13.7
Cleanliness	13.5
Reasonable prices	11.9
Sales/specials	8.3
Good fresh produce/fruits/ vegetables	8.0
Good service	6.6
Organized/can find things easily	5.9
Good meat selection	5.6
Know the people who work there	5.4
Nice atmosphere	5.2
Coupons	4.9
Many brands/name brands	4.8
Fast service/fast checkout	4.0
Clear aisles/a lot of room	2.0
All others	22.3

**Adds up to more than 100% due to multiple responses.*
Source: *Seventeen* magazine

Where teens shop apparel

	Dept. store	Boutique/ specialty store	Discount store	Variety store
Dresses	62.3%	39.0%	5.6%	3.5%
Suits/coats	64.5	29.0	5.7	2.8
Sportswear	54.3	31.0	13.1	6.8
Footwear	17.5	4.4	2.9	1.7
Hosiery	30.7	5.7	16.1	6.6

Source: *Seventeen* magazine, spring apparel buying study

Where teens shop cosmetics

	Dept. store	Drug store	Discount store	Beauty salon	Variety store
Foundation	30.4%	39.8%	8.3%	4.3%	3.4%
Blusher	35.8	37.5	9.5	3.6	3.6
Mascara	26.5	49.0	11.3	1.7	4.4
Lipstick	31.9	41.0	8.3	2.8	3.4
Nail polish	23.2	51.2	13.5	2.1	5.5

Source: *Seventeen* magazine, Cosmetic Survey 1982

cialty chain, says, "We initiated a series of teen sewing classes recently and the response was good. With fewer schools offering 'elective' courses like sewing, we are acting as an educator for teens."

Woodward & Lothrop, the Washington D.C.-based department store, built a two-week promotion, "Looking Good For School," around a very popular item—video games. An Atari 400 was set up in the teen department where shoppers were able to get "hands-on experience" and a formal introduction to the system by a demonstrator. Plus, informal modeling was scheduled, twice a day, within the department.

For mass merchants like K mart and Sears, reaching the teen consumer involves promoting the store as a whole. Teen-oriented magazines, radio and newspapers score high with these merchants as they promote their ability to meet every need of this price-conscious consumer.

K mart, the Michigan-based discounter, ran a 12-page color booklet in *Teen* magazine in August. Merchandise from many departments was featured at "savings prices."

Sears, Roebuck & Co.'s 48-page newspaper insert, titled "August Carnival of Savings," led off with the first eight pages targeting the teen shopper with BTS savings in both hard and soft lines.

College students home stereo ownership

Amount paid for stereo	Stereo owners
$250 or more	90%
$300 or more	78%
$500 or more	50%
$700 or more	30%
$900 or more	22%
$1,500 or more	13%

Source: CASS Student Advertising/Belden Assoc.

Neophyte homemakers: Although teen product consumption is high, there are additional factors that have made capturing the attention of this group even more attractive to merchants. Current socioeconomic conditions have created and exposed teens to an unprecedented living environment. With more and more women working, the burden of household chores and responsibilities has shifted to all family members. Consequently, family meal planning/shopping as well as household management decisions are being made more frequently by teens. These "neophtye" homemakers find themselves in the role of decision maker and, consequently, have a considerable amount of family budget dollars at their disposal. Teens today are in a position to decide and buy not only for themselves, but for their families as well.

While one of the areas this situation frequently arises is in the family grocery shopping responsibility, teen food shopping patterns could reflect their overall demands from GM chains, as well. A survey conducted by *Seventeen* magazine revealed that 74.4% of all teens shop for family food with an average weekly expenditure of $35.32, or about 2 out of every 5 family food dollars. The conditions considered most important to teen shoppers were: good selection, variety, friendly service/people, low prices and cleanliness (see chart). While it is apparent that these consumers are both price and quality conscious, brand names, when grocery shopping, are not a priority. Many brands/brand names ranked 13th out of 17 in importance.

Teens, just developing their own shopping habits and patterns, have tremendous purchasing power.

While teens are "media-attuned," and aware of brand selections, they seem somewhat skeptical concerning the credibility of advertised products. A study by Simmons Market Research Bureau showed that only 1 in 4 agree that advertising presents a true picture of products of well-known companies. More than 40% questioned the accuracy of advertising and 1 out of 2 said they would settle for another brand if the preferred item was out of stock.

However, there are some categories where brand name merchandise seems more important—apparel and cosmetics/grooming products. When shopping for themselves, teens showed strong shopping preferences for stores that offer a selection of both current fashions and brand name merchandise. As teens are highly sensitive to trends, changing fashion styles and the latest products, they consequently shop most often in department and specialty stores (see chart). ☐

teenagers are beginning to buy them for themselves." Even so, most retailers agree that about 50% of sales are gift purchases.

While sales of the personal portables to teenagers are skyrocketing, sales of portable stereo radio/cassette "boom boxes" have not suffered. The market for boom boxes is relatively mature, but the units still account for more than 60% of all teen purchases of portable music machines.

Schultz doesn't expect a drop below a 50-50 split in unit sales between the two formats. Most retailers agree, but one Los Angeles dept. store buyer says increasing availability of separate speakers that can be plugged into a personal portable player may tip the scale in that direction. "I think shoppers are going to buy the most versatile unit and a set of separate speakers instead of both a boom box and a personal player," he says.

Some manufacturers have chosen to build a "slim-line" boom box with a removable personal portable player unit to appeal to this double-duty market. A store source at Macy's New York says sales have been "brisk" for the Besser MX-2 which the store sells for $90.

Until more concrete results are in, however, general merchandise chains will continue to carry a wide selection of both boom boxes and personal portables. ☐

Options pare sales off record volume

☐ Heated-up competition for teenagers' entertainment dollars, skyrocketing prices for front-line albums and a lack of any strong theme in the music business have combined to depress record sales in what many industry observers are calling the end of an era.

***Competition for teen** dollars is resulting in selective record buying.*

But while record manufacturers bemoan tumbling sales, many general merchandisers are posting modest increases in both unit and dollar volume. Budget-priced merchandise appears to be the major factor in buoying GMer's sales. "While everybody's front-line business is down, we've more than made up for that with budget merchandise," says John Kaplan, exec vp of purchasing for the Handleman Co., a leading record rack jobber.

At Sears, record and tape buyer Chuck Cebuhar notes that "budget is becoming a very significant part of our sales." Pointing out that increasing prices for front-line records are affecting all age groups, he notes that "teens are no different, although if the item is right, then it will sell regardless of price."

Finding the right product, though, is becoming increasingly difficult. Both manufacturers and consumers are less experimental in today's tough economy. "Labels are taking fewer and fewer risks," notes Cebuhar. "At the same time, customers aren't going to go out and take a chance. Artists who have sold will continue to sell, but it will be harder for new talent to grow."

Music critics say that today's rock artists are producing some of their strongest and freshest works, but this explosion of talent is not translating into album sales. "There's no nationally recognized theme, like the 'British Invasion' of the mid-1960's," says a Los Angeles-based entertainment analyst. "The record companies are playing it safe, waiting for the next major direction in popular music to surface. The music may be great, but unless a group's albums start selling almost instantly, the record procedures won't support them."

Fewer teens are spending more money on records

Age	% of total pop. over 10		% of dollar purchases	
	1977	1980	1977	1980
10-19	23%	21%	23%	24%
20-29	21	21	37	33
30-39	14	16	18	25
40-49	12	12	11	9
50+	30	30	11	9

Source: Warner Communications Inc., Prerecorded Music Market, Consumer Survey, 1980

Not only are customers becoming more discriminating in their selection of LPs and prerecorded cassettes, but they now face more options on how to spend their entertainment money. A store source at Caldor, the New England upscale discount chain, says he has watched teenagers shifting their interest from records to video game cassettes over the past three years. "It used to be that the kids would spend hours going through the record racks," he says. "Now they spend hours trying out the latest video game."

Kaplan says that competition for the teenage dollar is resulting in more selective record purchases. "Today teens will walk out of the record department with one front-line record," he says, "where a few years ago they would come out with two or three."

This downturn in impulse purchases is backed up by the findings of a 1980 consumer survey conducted by Warner Communications Inc. When asked why they went to a record store or department, 56% of the respondents said they went "to buy a particular song or record." Browsing placed a distant second, with 8% saying they went most often to browse.

Although teen lifestyles are constantly changing, music is an integral part of the teenage world. Teens may no longer dominate prerecorded music sales, but they remain an important consumer group accounting for nearly one-quarter of all dollars spent for records and tapes. (See chart.) ☐

High-power dryers appeal to teens

☐ One executive for a manufacturer of a popular line of hand-held hair dryers says, "Teenagers are like everyone else when it comes to buying blow dryers . . . they're looking for price first, brand next and then features." Retailers affirm that this is right on the mark.

Regardless of the retail outlet, merchants say the bulk of their blow dryer business is done at price points below $15. Generally, mass merchants carry 12 sku's spanning the $10 to $25 price range while department stores average 13 to 14 models, priced between $12 and $30.

"[Teenagers] like a recognizable name—like the designer craze. They're into designer names and labels," adds a Midwestern department store retailer whose estimated '81 sales volume was approximately $180 million. So merchants provide items from five to six different suppliers' lines. Conair, General Electric and Sunbeam are carried by most discounters while Conair, G.E., and Clairol are shared by most department stores. Norelco, Vidal Sassoon and Shetland are other common lines the merchants overlap on.

Nonetheless, the buyer for an East Coast mass merchant with estimated 1981 volume topping $125 million says that customers will choose a less well-known manufacturer's model, with comparable features to a popular blow dryer, if the price is sharper.

When it comes to the features, retailers say the ones that draw teenagers include high wattage, compact or folding, lightweight,

Teens look for price, *brand and then features in buying dryers.*

and variable speeds. "Teens want higher wattage—more than 1,200 watts, which is not good for their hair," says Linda Saleska, personal care buyer of the Milwaukee Boston Store. Plus, she adds, "They want the units to be lightweight."

Also important to teenagers is the look of the dryer. Several merchants report that teen customers want "professional" or "salon" type models. Other retailers note that the Norelco Chic line is doing nicely due to its attractive color.

Teenagers seek blow dryers that are lightweight, compact, have high wattage and variable speeds.

Displays themselves are not enough to attract customers, say retailers. Despite some department stores move into contemporary wood fixtures that are commonly found in upscale houseware departments, most merchants use traditional gondolas. These feature display models fastened to the top shelf or a pegboard overhead, which can be plugged into an electrical strip so shoppers can test them. Boxed merchandise is on the lower shelves for self-service.

The Midwestern retailer with sales estimated at $180 million states that the category is not a very strong one to warrant special displays. However, during promos, discounters feature items on endcaps, while department stores bulk them out on the floor using the merchandise boxes as freestanding displays.

So far this year, merchants say that the hair dryer business has been soft compared with last year's figures. Per cent changes in sales volume ranged from a −5% to +5% for retailers questioned by *CSA*.

A Southeast retailer with about 20 stores blames merchants and manufacturers for emphasizing "healthier and newer" personal care items such as air purifiers, instead of blow dryers. According to this buyer and others, the hair dryer business peaked approximately two years ago and now it is mostly replacement sales.

Still, blow dryers account for 35% to 40% of the average department store's personal care sales and 20% to 30% of a mass merchant's. Turns continue to be high at four times a year because stocks are kept fairly low. And, like all classifications, monthly ads detailing sales and manufacturer's rebate offers continue to improve the day-in/day-out business. ☐

Iron pumping pumps up sales

☐ All children are exposed to some form of sports. It's a school requirement. As the transition from required recreation to play takes place, personal preferences emerge and would-be athletes are born. Today, many of these adolescents are "pumping iron," in a manner of speaking.

According to retailers, exercise equipment—weights, work benches, stationary bikes, aerobic joggers, boxing training bags and gloves, treadmills and rowing machines—is the single fastest-growing category in their sporting goods departments.

"Build up or trimming down, that's what it's all about," says a spokesman for New York-based Times Square Stores. "Our exercise

Mix & Match Paper
envelopes
Stationery by the Pound

***Teenage girls spent** $20.9 million on stationery products last year.*

boxed set of stationery," says the New England buyer. "They might consider private label, where they can get 100 sheets and 50 envelopes for $3.50, but anything much over $5 is out of the question."

For prehigh school teens, licensed products are the key to sales. Discounters report that most of their fashion stationery sales are for hot licensed items, with Garfield, Snoopy and Smurf leading the pack. "This year there are many, many good licenses," says D. E. Wassum of Henderson, N.C.-based Rose's. "In fact, there may be too many. The business is too spread out instead of being exceptionally strong on one or two characters."

But the trend toward more fashionable merchandise is growing in the discount industry. "In the past, you'd only see one or two items out of a licensed series," notes a source at a 75-unit New England regional discount chain. "Now, more complete collections are being featured. We're selling the theme instead of just an item."

The only drawback to selling complete lines, he adds, is that inventory costs can be significantly higher "particularly in a year like this one where there are eight or nine hot characters."

Most discounters report their briskest sales at the 99¢ and $1.49 price points for novelty writing tablets. And while there is some increase during the Christmas season, sales are relatively steady throughout the year. ☐

Fashion for less makes teens sew

☐ How are more teens incorporating the latest fashions into their wardrobes for less than ready-to-wear prices? The answer: sew-it-yourself.

"We had a good spring sewing season and are confident it will continue," says a spokesman for Connecticut-based Caldor. "Although it is difficult to determine exactly what per cent of our customers are teens, those fashion patterns and fabrics that follow current RTW looks, like Gunne Sax, Prairie and Norma Kamali, are moving.

Teens are sewing more often—not only for themselves, but for others (gift items) as well.

The home sewing industry and teenagers are developing a stronger bond than ever before. Contrary to a popular myth that sewing is a "dying practice," home sewers are part of a very "price-sensitive" population, and teenagers represent a substantial percentage of this group. Besides price, some sewing industry sources suggest fit is an important factor spurring teen interest in sewing.

"Many young sewers tell us they sew due to the poor fit of off-the-rack clothing that meets their limited budget. They get a better fit for less money when they make it," says Judy Raymond, vp/advertising and promotions at McCall Patterns.

According to a recent Home Sewing and Needlecraft Survey conducted by *Seventeen* magazine, teens are sewing more often—not only for themselves, but for others (gift items) as well. The survey of 1,170 teenagers determined the following:

- Three out of 5 girls know how to sew and do by age 12
- 97.8% use a sewing machine when they sew
- 28.7% have their own machine
- 11.4% expect to acquire their own machine within the next year

- Teens sew more in the summer (44.2%) in order to replenish their back-to-school wardrobes, vs. winter (16.0%)
- Two out of 5 of these sewers made and gave gifts within the last year
- The average dollar amount spent on sewing products and accessories within the last year was $54.02
- The top-ranking stores most often shopped were fabric/specialty.

As the number of retailers offering a complete sewing department dwindles, with stores like K mart, Foley's and Macy's among the most recent pull-outs, chains maintaining complete sewing inventories report strong sales that have been helped along by young sewers.

So far this year, Oklahoma City-based T.G. & Y. reports a sales increase of 8% to 10% over 1981. A chain spokesman says, "Our strongest sellers in fabrics were eyelets, calicos, dress denims, woven shirtings and plaids—all those fabrics that reflect the contemporary 'Western/Prairie Look' sold fast."

T.G. & Y. runs an ongoing program to encourage their young sewers and, hopefully, layer additional teens on to their customer base. A twice-a-year publication issued in conjunction with Simplicity Pattern Co. is distributed to home economics teachers within a 10-mile radius of headquarters. The booklet includes color and pattern suggestions along with fabric swatches and information explaining how to work with patterns. In addition, there is a discount offer extended to home economics teachers and their students for their first class project.

Securing customer allegiance as well as dollars has become an important role for home sewing manufacturers and merchants alike. Some retailers say they are taking over the duty of teaching sewing to school-age children/teens, as school cutbacks reduce and sometimes eliminate these classes.

Michael Feuer, vice president of marketing for Fabri-Centers of America, the Ohio-based fabric-specialty chain, says, "This summer we initiated a series of teen sewing classes to build a customer we regard as important. The response was good. We think as girls discover fashion and expand their wardrobes beyond jeans, we can show them how to do it and save money."

interfacing

Besides price, fit *is a factor in spurring teen interest in sewing.*

While fashion at a savings may be enough for many, a few manufacturers are enticing teens into the sewing world with even stronger bait—money for a college education. "Create-a-Craft," a contest organized by McCall's Patterns and White & Elna Sewing Machines, offers a $5,000 grand prize college scholarship. "Teens have always been an important part of our business, but their interest in craft sewing is just developing. The contest will expose these young sewers to a new category and can help finance their education," says McCall's Judy Raymond. ☐

Where teens shop for sewing needs

	Per cent*
Fabric/specialty shop	57.1
Sewing center	26.5
Department store	9.5
National chain (Big 3)	8.5
Variety store	7.2
Discount store	5.5
Other	0.3
No answer	7.7

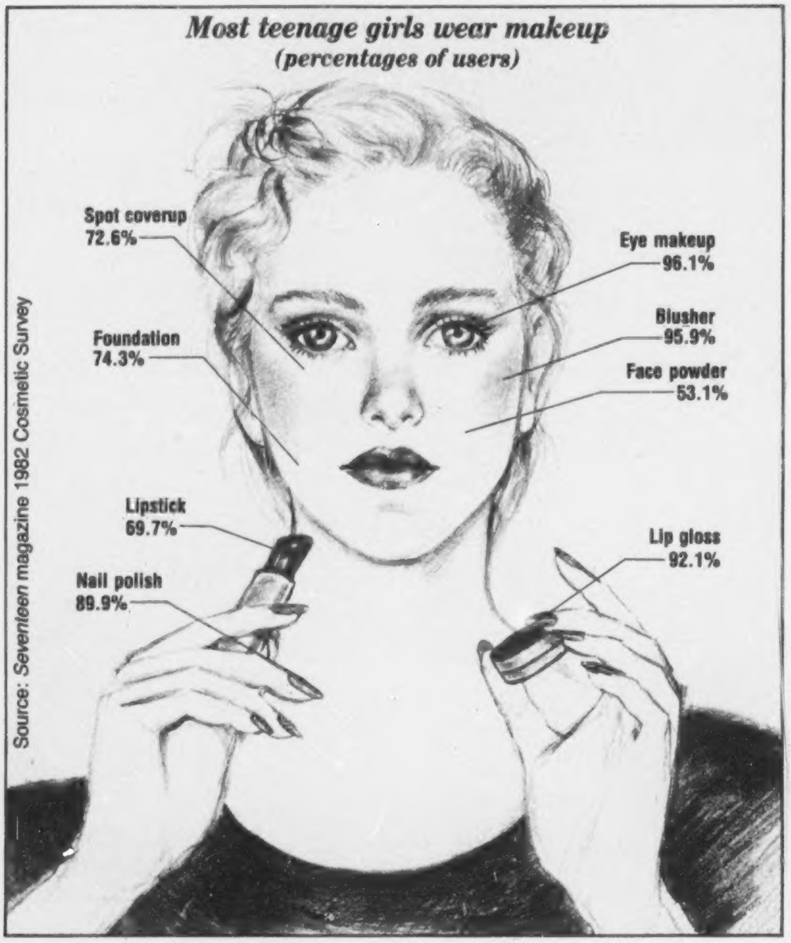
**Total exceeds 100% due to multiple responses.*

Source: *Seventeen* magazine Home Sewing and Needlecraft Survey

Teens scorn bare look in cosmetics

☐ The "natural" look that swept through makeup in the 70's has disappeared without a trace, judging by today's teenaged girls' attitudes toward makeup. More than 9 out of 10 wear some form of blusher, eye makeup, lip gloss or nail polish as well as other cosmetics, according to a *Seventeen* magazine survey of teenage girls, aged 12-19, conducted earlier this year.

This age group spends almost $5 billion annually on beauty aids,



Most teenage girls wear makeup
(percentages of users)

Source: *Seventeen* magazine 1982 Cosmetic Survey

18.5% of their estimated income from earnings and allowances. That total will almost certainly go up: one-half reported to *Seventeen* that they were using more cosmetics in 1982 than they had last year.

About one-third of the girls surveyed by *Seventeen* bought their cosmetics in department stores, with roughly half shopping drug stores for these items. Teenage girls were more likely to buy cosmetics like mascara, eye shadow, lip gloss and nail polish in discount and variety stores than products such as foundation and blusher.

All of those dollars spent on beauty care mean lots of store traffic, as teenage girls need to replace their cosmetics every four to six months, with products like lip gloss and nail polish purchased more frequently. To keep that traffic coming in, and to spark impulse sales of cosmetics not immediately needed, department stores frequently run promotions.

Most common are purchase-with-purchase and gift-with-purchase offers, as well as seasonal price cuts sponsored by cosmetics manufacturers. But many department store chains also conduct their own events that tie fashion and beauty together for double-duty results.

According to a *Seventeen* survey, teen girls, 12-19, spend almost $5 billion annually on beauty aids.

Tie-ins with national magazines, such as "*Mademoiselle* On Location," prove to be popular draws with both teenagers and young working women. The May Co.-Los Angeles and Chicago's Marshall Field's both sponsor *Mademoiselle*'s annual makeover events in-store, which draw 300-500 high school and college students, says Field's Kris Hansen. Promotions of individual cosmetics lines, when tied in with the magazine visits, she continues, boost traffic and sales "incredibly."

Sanger-Harris has created its own event aimed at teens as well as younger girls. Two programs, "Poise for Preteens" and "Beauty Spectrum"—aimed at 6-9 year olds and 13-16 year olds, respectively—are held three times a year in the store. For $35, girls attending the six-week courses learn about makeup and hair styling, charm, poise, beauty, dieting and exercise. Experts from local beauty salons or from Sanger-Harris' cosmetics department give grooming tips.

Besides the immediate gratification of increased store traffic and short-term sales boosts, promos aimed at teens help to develop teen shopping loyalties. According to the *Seventeen* study, significant brand loyalty evolves during the teens. Store loyalties also form then.

Or earlier. While many chains aim their promotional thrusts at the junior segment (the 13-plus girl), Boscov's of Reading, Pa., starts at a younger age, as does Sanger-Harris with its poise classes. Preteens, says Albert Boscov, president of the promotional department store chain bearing his name, start asserting their tastes by age 10—and when it comes to cosmetics, they go for the same lines older teens do, not play makeup.

But even those stores that don't specifically go after the teenage customer, like Minneapolis-based Dayton's, grab teen traffic with adult promotions. Although Dayton's target customer is the 25-40-year-old woman, says Paul F. Reich, dmm/cosmetics and accessories, cosmetic specials for Revlon and Bonne Bell pull in teenagers. Those lines, Reich points out, are the top sellers to the teenage group.

Cosmetics departments also benefit from special events aimed at the fashion-buying customer. Los Angeles-based The Broadway stages fashion shows hosted by local personalities, with styles modeled by local high school students. An August back-to-school event, held in the juniors department in 22 of The Broadway's 41 stores, drew upward of 300 people per show, says store spokesman Moura Eggan. Drawing power for teens was provided by KISS-FM deejay Rick Dees. Flash sales results after the event proved that such traffic builders also build sales, notes Eggan. □

Video games prove lure for teenagers

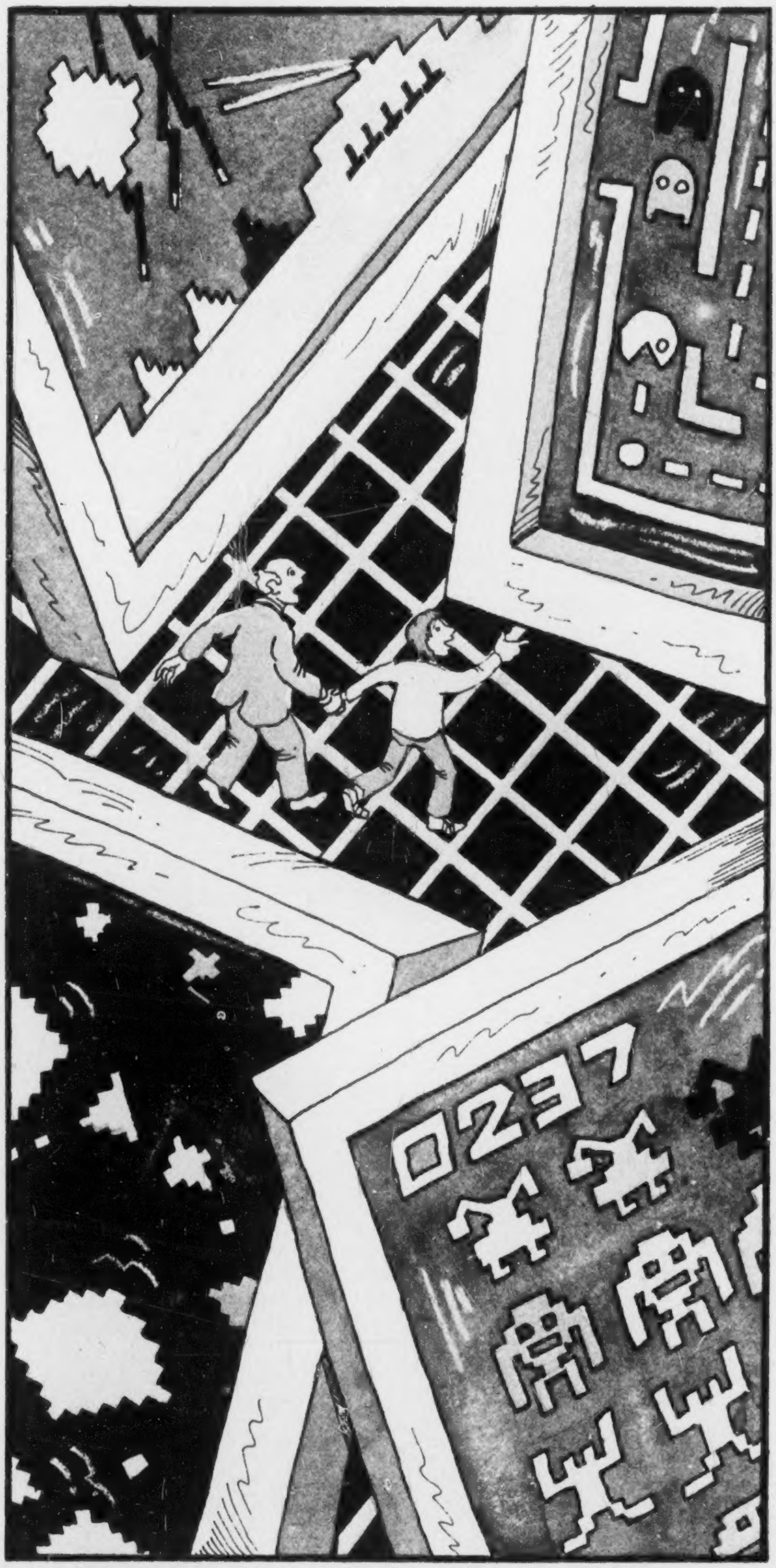
□ Demonstration models of video games set up in department and discount stores certainly attract more than their fair share of the lucrative teen market. Scarcely an hour of store time goes by that finds the demos idle. Are these same teenagers, lured to retail stores as a free arcade, also the ones responsible for the sales spurt of video games?

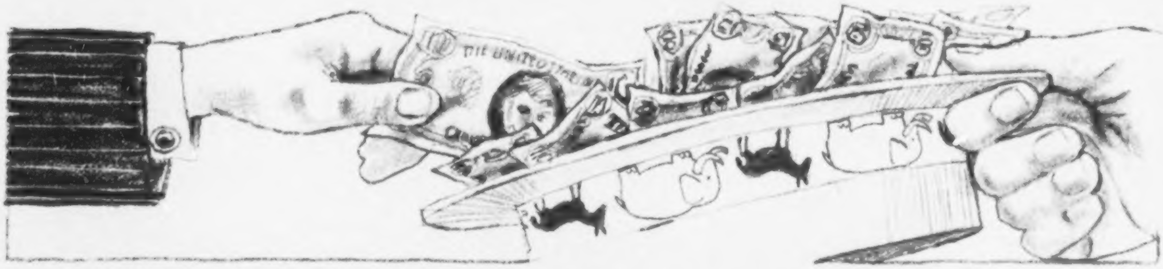
Laddie Luljak, dmm/major appliances at Houston-based Foley's, "can't see how demo models have affected sales," but he still believes a hands-on approach to selling video games is necessary. "Some people say you have to handle the goods. We let them [the kids] touch it."

Little Rock, Ark.-based Sterling Stores/Magic Mart has had an Atari unit set up on the sales floor for only two months, says Larry Carter, electronics buyer. "We're getting quite a bit of traffic even though it's new in the stores," he says. Carter feels that teens are buying games in his stores as well as playing them there.

Bob Flowers, electronics buyer at Henderson, N.C.-headquartered Rose's, acknowledges "it's hard to judge" if kids are buying. However, he feels that "when kids go into the stores and play with the games, they go home and tell their parents what to buy."

Teenagers have a lot of clout when it comes to deciding what to buy. Two-thirds of the teens surveyed in a Rand Youth Research Institute poll, "Teen Age Economic Power," maintained they personally urged their parents to buy products for the home, with their persuasive





Retailers funnel political support

☐ Political fund-raising groups organized by several of the nation's largest general merchandisers will be able to funnel more than $250,000 to pro-industry candidates in this fall's congressional elections.

An exclusive *CSA* analysis of GM industry political fund-raising activity found that "Political Action Committees" (PACs) established by Sears and Penney as well as a number of key discount and department store chains have already contributed more than $150,000 to Federal candidates since the '80 elections.

As of mid-July—the most recent Federal Election Commission reporting deadline for industry PACs—chain political fund-raising groups still had more than $120,000 in their campaign war chests for the '82 House and Senate races.

Here's where the chain campaign money is going

PAC sponsor	$ Contributions to:*		# Of contributions to:	
	DEMS.	GOP	DEMS.	GOP
Carter Hawley	$ 1,200	$ 1,700	1	3
Dayton Hudson	650	2,350	3	8
Federated	18,125	14,470	53	50
G. C. Murphy	400	200	1	1
J. C. Penney	37,800	23,500	65	61
K mart	900	0	3	0
May	0	0	0	0
Sears	12,700	43,750	39	129
Wal-Mart	0	0	0	0
TRADE ASSOCIATIONS				
Assoc. of General Merchandise Chains	0	200	0	1
National Mass Retailing Institute	100	0	1	0
TOTALS:	$71,875	$86,170	166	253

**U.S. Congressional candidates only*

Source: *Chain Store Age* analysis of Federal Election Commission records

Who's who in chain political fund-raising now

SPONSOR	PAC collections for '82 campaign*	$ On hand from '80 elections	PAC contributions to:			Admin. costs	$ Available for '82 campaign stretch
			Federal candidates	State candidates	Other industry PACs		
Carter Hawley	$ 18,699	$16,466	$ 2,900	$ 0	$ 8,000	$ 563	$ 23,702
Dayton Hudson	20,725	2,715	3,000	150	0	200	20,090
Federated	35,525	12,020	32,595	0	0	4,750	10,200
G. C. Murphy	1,270	2,154	600	0	0	0	2,824
J. C. Penney	65,747	8,452	61,300	0	250	60	12,589
K mart	38,333	3,341	900	0	0	296	10,200
May	6,470	0	0	0	0	0	6,470
Sears	91,118	13,252	56,450	0	6,000	11,000	30,920
Wal-Mart	0	0	0	0	0	0	0
TRADE ASSOCIATIONS							
Association of General Merchandise Chains	1,390	970	200	0	0	0	2,160
National Mass Retailing Institute	3,000	160	100	0	0	254	2,806
TOTALS:	$282,277	$59,530	$158,045	$150	$14,250	$17,123	$121,961

**As of 7/15/82*

Source: *Chain Store Age* analysis of Federal Election Commission records

Although each of the GM PACs tracked by *CSA* researchers has been set up on a nonpartisan basis, the bulk of the industry's campaign contributions have been earmarked for Republican candidates.

Overall, the 11 industry fund-raising groups covered by the survey channeled 60% of their contributions to G.O.P. congressmen, and some GM PACs are tilted even more heavily toward Republicans.

Sears, which operates the industry's largest campaign fund-raising organization, contributed to 168 congressional candidates since the 1980 Reagan landslide—all but 29 of them Republicans.

In contrast, Federated and Penney bucked the trend, each contributing more to Democrats than Republicans.

Although PAC fund-raisers typically solicit contributions from industry execs in order to elect new pro-business faces to Congress, *CSA*'s analysis indicates that over 90% of the candidates receiving money from these groups are incumbent congressmen—often well-entrenched committee chairmen with relatively "safe" seats. In fact, at least half a dozen senators receiving four-figure donations from GM PACs since the '80 campaign aren't even up for re-election this year.

Typical campaign contributions from chain PACs weighed in less than $400 each, with House candidates receiving smaller amounts while senators averaged $1,000 to $2,000 in donations.

As of mid-July, the chief beneficiary of retail industry fund-raising efforts was Minnesota freshman Republican Sen. David Durenberger who received a total of more than $5,000 in contributions from Sears, Penney and Federated.

As Chairman of the Senate Intergovernmental Relations Subcommittee, Durenberger is in a position to influence a broad range of Federal regulatory policies affecting retail chains. He is battling to retain his seat against the winner of the Eugene McCarthy-Mark Dayton Democratic/Farmer Labor party primary. Dayton's family founded Dayton Department Stores.

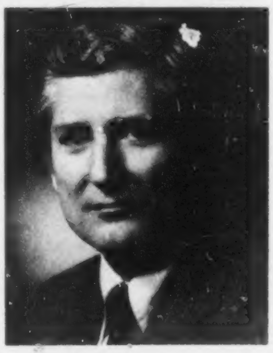
Other senators at the top of the GM industry's contribution list this year include Senate Labor Committee Chairman Orrin Hatch (R-Utah)—$2,000; Government Affairs Committee Chairman William Roth (R-Del.)—$2,000; Texas Democrat Lloyd Bentsen, who serves on both the Finance and Joint Economic Committees—$2,500 and freshman New Jersey Democrat Bill Bradley ($2,350), who will not be up for re-election until 1985.

In contrast to the sizable campaign war chests amassed by such chains as K mart, Sears, Penney, Federated, Dayton Hudson and Carter Hawley Hale, the PACs organized by GM/discount industry trade associations are poor relations.

Since the last elections, the Association of General Merchandise Chains has collected less than $1,400 to support candidates, while the National Mass Retailing Institute raised just $3,000. ☐

WASHINGTON VIEWPOINT

Hidden dangers in anticounterfeiting bill



Edward T. Borda
AGMC president

☐ Customers deserve genuine value for their money, every reputable merchant would agree. If a purchase turns out to be a fake rather than the real thing, both merchants and consumers suffer. Recently there have been some highly publicized instances of unscrupulous makers putting counterfeit trademark brands on products ranging from designer jeans to personal computers. Trademark holders whose names are being stolen, reacting with understandable alarm, are pushing for legislation to combat the problem.

Retailers can sympathize but should be extremely wary of the proposed solution, which overall poses dangers that far overshadow the problem it claims to address. Although it is impossible to detail all its defects in this space, in essence the proposed legislation is:

Unfair: Trademark holders would be allowed to obtain search and seizure orders for goods suspected of being counterfeit and related business records. A basic question of fairness arises since retailers whose goods are about to be seized wouldn't have to be given advance notice or a chance to be heard; even worse, the bill spells out no standards for when these unprecedented search and seizure requests would be granted.

Even a groundless counterfeit claim would generate harmful publicity and heavy legal expenses, bring at least a temporary loss of essential business records and could tie up affected merchandise until it is no longer salable. In addition, the legislation does nothing to compensate retailers for injuries from mistaken accusations, even though trademark holders can recover heavy penalties if they find misbranded goods.

Anticompetitive: The new search-and-seizure mechanism has tremendous potential to be abused in ways that restrict competition. Retailers obtain trademarked goods not only directly from manufacturers, but from a wide range of other legitimate sources. Both retailers and those suppliers would be at a great disadvantage if the search-and-seizure orders resulted in the disclosure of such trade-sensitive information.

Misplaced: Counterfeiting is often aided by trademark holders' inability or unwillingness to control their licensees, who may produce identical-appearing but unauthorized additional copies of the product. Even manufacturers admit that, because of their own quality control problems, they cannot always readily distinguish counterfeit merchandise. So why should retailers who are not parties to counterfeit schemes bear the brunt of enforcement? And the new proposal's draconian antiretailer provisions could be used in infringement squabbles among trademark holders, not just against sales of outright counterfeit.

Unneeded: Current law already provides remedies that could be used more effectively against the cause of the problem: the actual counterfeiters.

With their own reputations and trademarks to protect, retailers are not unmindful of the counterfeiting problem. Unfortunately, the hidden dangers of the current legislative proposal could harm our industry without reaching the true culprits. ☐

Ed Borda is president of the Association of General Merchandise Chains. As AGMC president, he is an active lobbyist on matters of interest to chain retailers. Washington Viewpoint appears as an added feature in the Government Affairs section of Chain Store Age—General Merchandise Edition.

Recession lowers dept. store income

The recession has finally caught up with the department store.

While discount chains, in quarters past, suffered the effects of the recession to a greater extent than their bigger sisters, such was not the case in the second quarter of '82.

The seven biggest department store companies posted a combined earnings decline of 9.3% vs. a 1.4% increase for seven of the largest discount chains.

Department stores benefited and were hurt by acquisitions made last year. Allied's income dropped 29.6%, while Associated Dry Goods' soared by 57.3%. Federated income plummeted by 40.7%, due mainly to sluggish sales increases in several of its Sunbelt department stores, slower tourist business in Bloomingdale's and Burdines, and higher interest costs.

First-quarter signs that upper-end customers were beginning to cut back on purchases grew stronger in the last period. Sales increases in department stores, despite heavy promotions, were not high enough to offset higher operating expenses.

For the discount stores, the big news is K mart managed to break into the black for the first time in 11 quarters. Woolworth continued to be plagued by its Woolco division, while Zayre's revitalized discount operation contributed to its better performance.

Specialty stores recorded better earnings, with Cole National significantly improved from a sharper Child World operation.

Tough 2nd qtr. depresses dept. stores; specialists excel

	2nd Quarter (000 omitted)			1st Half (000 omitted)		
	'81	'82	% change	'81	'82	% change
Penney	44,000	60,000	+ 36.4	94,000	112,000	+ 19.1
Sears[1,2]	70,500	80,500	+ 14.2	16,000	63,400	+296.3
Ward	(28,000)	(27,000)	—	(75,000)	(71,000)	—
Subtotal	86,500	113,500	+ 31.2	35,000	104,400	+198.3
K mart	56,800	60,700	+ 6.9	91,300	66,500	− 27.2
G. C. Murphy	1,353	1,895	+ 40.1	2,849	1,958	− 31.3
Rose's	589	1,048	+ 77.9	2,499	2,463	− 1.4
SCOA (Hills)	1,929	2,435	+ 26.2	2,879	3,349	+ 16.3
Wal-Mart	16,581	23,763	+ 43.3	30,004	41,947	+ 39.8
Woolworth[1]	4,000	(8,000)	—	(1,000)	(23,000)	—
Zayre	1,964	2,563	+ 30.5	2,321	4,595	+ 98.0
Subtotal	83,216	84,404	+ 1.4	130,852	97,812	− 25.2
Allied	7,231	5,093	− 29.6	19,830	7,462	− 62.4
Associated Dry Goods	3,333	5,244	+ 57.3	7,683	5,713	− 25.6
Carter Hawley Hale	7,141	1,735	− 75.7	13,286	7,012	− 47.2
Dayton Hudson[3]	17,985	26,310	+ 46.3	31,515	42,794	+ 35.8
Federated	36,214	21,493	− 40.7	76,942	50,626	− 34.2
May Co.	19,894	20,560	+ 3.3	36,216	32,150	− 11.2
Mercantile	8,170	10,220	+ 25.1	16,018	18,922	+ 18.1
Subtotal	99,968	90,655	− 9.3	201,490	164,679	− 18.3
Cole National	68	450	+561.8	(1,600)	(465)	—
Oshman's	1,674	1,292	− 22.8	2,119	1,021	− 51.8
Toys "R" Us	3,221	4,431	+ 37.6	3,839	6,947	+ 81.0
Subtotal	4,963	6,173	+ 24.4	4,358	7,503	+ 72.2
The Gap	(421)	811	—	488	1,374	+181.6
The Limited	3,739	5,255	+ 40.5	7,112	9,497	+ 33.5
Miller Wohl	3,749	2,705	− 27.8	8,089	7,034	− 13.0
Subtotal	7,067	8,771	+ 24.1	15,689	17,905	+ 14.1
Total	281,714	303,503	+ 7.7	387,389	392,299	+ 1.3

[1] *Consolidated operations only*
[2] *U.S. merchandising only*
[3] *Continuing operations only*
( ) indicates loss

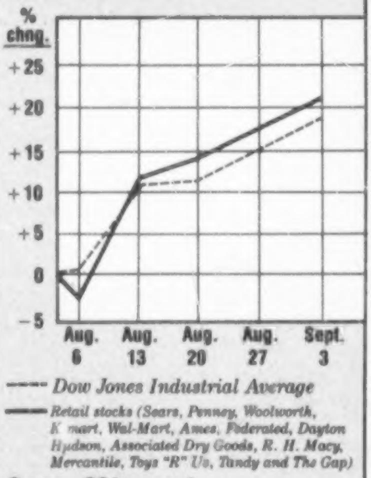
Source: *CSA research*

Retail stocks pace record bull market

Retail stocks have traditionally led the stock market upward and the late August bull market was no exception. While the Dow Jones Industrial Average chalked up a stunning 17.52% gain in just three weeks to close at 925.13 on Sept. 3, the 14 retail stocks tracked by *CSA* shot up 23.97%.

GM stocks outpace 'super bull' market

Closing prices for Dow Jones Industrial Average and 14 GM chains based on change from Aug. 6, 1982



Source: *CSA research*

"Retailers have steadily outperformed the overall market for two years," says Goldman Sachs analyst Joe Ellis, "but now they appear to be nearing the top end of their value vis a vis the market."

Where retail stocks will stand in six months is anybody's guess, but for now execs must be pleased.

Correction

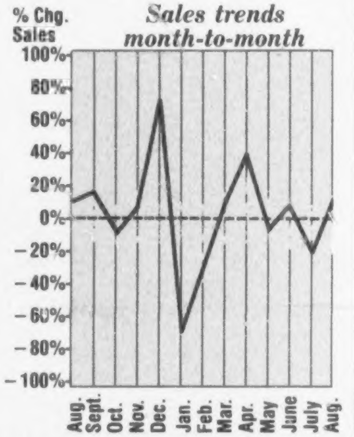
In the August '82 "Retailers play mating game" article, we incorrectly stated that The Sample in Buffalo was having financial difficulties and was Sibley's (the former Hengerer's) major competition. The Sample was not in financial difficulty. Sibley's primary competition in the downtown Buffalo area is Sattler's.

FINANCIAL NEWS

August sales lag despite tax cut

The expected upturn in retail sales for August failed to materialize despite the 10% Federal income tax cut and plummeting inflation. In fact, two-thirds of the chains tracked by *CSA* saw their year-to-date gains dragged down by August results.

The total 3% sales increase for the month failed even to match the general merchandise inflation rate of approximately 4%. Of the six chains that improved their year-to-date position, diversified retailers fared best as a group. Federated, Dayton Hudson and May Dept. Stores all reported a higher August sales growth rate than their six-month growth rate.



Composite of sales trends (increases or decreases) from month to month for the 18 retail companies tracked by *CSA*.

Only one discount chain posted a substantially higher growth rate in August. Zayre's exceptionally strong 24.6% increase for the month's sales raised the chain's year-to-date increase a full percentage point, to 18.3%, from its six-month increase of 17.3%. Wal-Mart led all chains with an August gain of 31%, but this was well below the discounter's 46.7% year-to-date increase.

The poor performance in August has turned normally optimistic retailers into doubting Thomases concerning year-end results. "The consumer simply isn't responding," says Bernard M. Fauber, chmn and ceo of K mart. "I see no reason to believe September will be much better."

Howard Goldfeder, chmn and ceo of Federated, says that, "It is still too soon to tell whether the decline in interest rates and other relatively positive news about the economy noted in recent weeks will restore consumer confidence sufficiently to induce sustained sales gains."

Merrill Lynch analyst Jeffrey Feiner notes that "unemployment is probably the key determinant to any improvement in consumer confidence." With the national unemployment figure hovering around 10%, and no sharp decline in sight, sales could remain sluggish throughout the rest of the year.

One bright spot has been the relative strength of department store sales. Although projections have been low all year, most stores are staying on track.

Sales chill in dog days of August

		AUG. SALES*		STORES		7-MO. SALES*		
MAJOR CHAINS	% change	1982	1981	1982	1981	1982	1981	% change
SEARS[1]	+ 0.7	1,539,308	1,528,802	847	856	10,861,784	10,685,952	+ 1.6
PENNEY	− 2.2	938,000	959,000	2,059	2,120	6,034,000	6,095,000	− 1.0
WARD[1]	− 5.3	409,629	432,389	388	406	2,930,351	3,071,581	− 4.6
FEDERATED[5]	+ 9.8	472,500	430,300	471	N/A	3,167,500	2,938,400	+ 7.8
DAYTON HUDSON	+ 15.9	423,436	365,319	928	880	2,727,397	2,390,019	+ 14.1
MAY DEPT. STORES	+ 5.5	261,000	247,300	1,342	1,225	1,787,500	1,712,900	+ 4.4
CARTER HAWLEY HALE	+ 2.3	198,000	193,500	771	N/A	1,485,600	1,411,400	+ 5.3
MERCANTILE	+ 11.5	114,930	103,068	84	83	702,397	629,962	+ 11.5
K MART	− 4.3	1,187,037	1,240,275	2,394	2,332	8,939,162	8,599,874	+ 3.9
WOOLWORTH	+ 1.4	542,016	534,400	N/A	N/A	3,887,899	3,815,522	+ 1.9
HOUSEHOLD MERCH.[2,3,5]	− 0.7	244,753	246,344	3,806	3,923	1,625,456	1,631,421	− 0.4
WAL-MART	+ 31.0	283,000	216,000	520	460	1,737,000	1,184,000	+ 46.7
T.G. & Y.	+ 8.7	173,806	159,934	927	927	1,131,932	1,040,618	+ 8.8
ZAYRE[4]	+ 24.6	169,464	135,989	609	559	1,084,718	916,602	+ 18.3
MURPHY	+ 3.0	56,112	54,489	427	441	445,362	424,465	+ 4.9
ROSE'S	+ 7.9	58,714	54,432	237	235	352,654	322,824	+ 9.2
MELVILLE	+ 15.6	274,348	237,310	5,377	4,997	1,863,496	1,572,560	+ 18.5
TANDY	+ 20.1	177,515	147,773	N/A	N/A	1,144,244	961,089	+ 19.1
EDISON BROS.	− 4.8	72,391	76,068	2,129	2,030	561,299	581,341	− 3.4
TOTALS & AVERAGES	**+ 3.0**	**7,422,153**	**7,202,758**			**51,337,819**	**48,944,912**	**+ 4.9**

**000 omitted. N.C. = no change. N/A = not available.*

[1] *Store number for full-line outlets only.* [2] *Plus 2,833 franchise stores (vs. 2,934 a year ago).* [3] *Includes T.G. & Y. sales.* [4] *Includes 265 Zayre stores (vs. 252 a year ago), 265 Hit or Miss stores (vs. 253) and 79 T. J. Maxx stores (vs. 54).* [5] *Excludes supermarket sales.*

Sears tops among student card holders

Sears seems to be building a solid franchise among college students if credit card possession is any barometer. Montgomery Ward, however, did not fare as well.

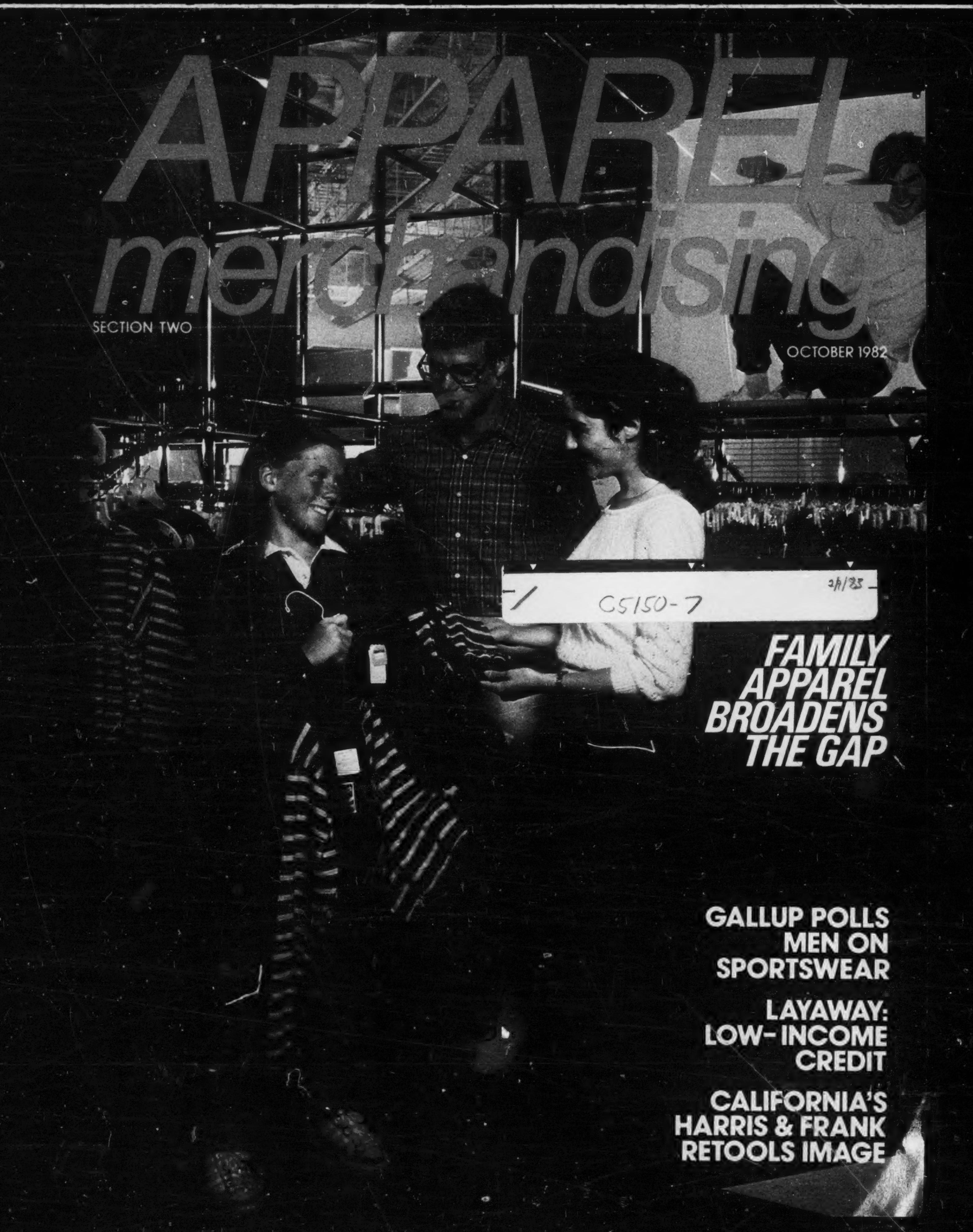
A survey conducted by Dallas-based Belden Assoc. for Cass Student Advertising, showed 20% of the college students polled own a Sears credit card, 10% a J. C. Penney and 4% a Montgomery Ward card. Of those planning to apply for a card within a year, 20% said Sears and 9% Penney. Montgomery Ward did not appear in the "will apply" results.

Among bank cardholders, 19% own Visa, 17% MasterCard. Of those planning to apply, 37% said Visa and 28% MasterCard. Only 8% said they owned American Express, but 14% planned to apply.

APPAREL merchandising

SECTION TWO

OCTOBER 1982



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FAMILY APPAREL BROADENS THE GAP

GALLUP POLLS MEN ON SPORTSWEAR

LAYAWAY: LOW-INCOME CREDIT

CALIFORNIA'S HARRIS & FRANK RETOOLS IMAGE

APPAREL merchandising

12 The Gap's newest division, Super Gap, is positioned to broaden the specialist's target audience to include baby boom men and women as well as kids and teens.

15 Men's cotton sweaters haven't become the year-round sellers retailers hoped for. Moderate customers have shied away from high prices, and care remains a problem.

16 Male shoppers are frustrated by high prices, lack of selection and limited size range, plus poor quality of sportswear, a Gallup Poll finds.

19 Rugged wear—L. L. Bean-type outdoorsmen's clothes—is riding the crest of the active/adventure craze, while presenting men with practical fashion garments.

COVER PHOTO OF THE SUPER GAP BY RICK BARICK

p. 16

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DEPARTMENTS

23 Controversy is brewing in the young men's market over a new corduroy fabrication. Some buyers claim it will boost tepid corduroy sales, others are not so sure. Nonetheless, retailers will stock it.

27 Leather, this year's status symbol, is selling at department stores, but it's the better, novelty apparel that is moving out. Discounters can't afford to stock leather apparel, but some do carry outerwear.

31 Harris & Frank, the 126-year-old men's wear specialist, is retrenching from a promotional posture to a better-best California-based chain.

34 In Middle America, layaway plans at chains like Sears, K mart and Mervyn's are a must to supplement shoppers' credit cards and to catch sales that might otherwise be missed.

37 Mervyn's Pat Belardi has helped to reposition Mervyn's intimate apparel area up against those of trendier department stores by closing the lead-time gap of fashion merchandise.

Consumer Watch

men's sportswear

Men shopping for sportswear—dress shirts, slacks and sports jackets—are as frustrated as female consumers by high prices and poor quality.

In a survey conducted by the Gallup Organization for *APPAREL merchandising* on men's sportswear buying habits, male shoppers noted high prices (given the nod by 26.5%), lack of selection and sizes (52.7%) plus poor quality of garments as major problems encountered when buying sportswear.

The largest group of men (27.4% of those queried) preferred to shop at department stores for sportswear, with almost as many going to the national catalog chains (Sears, Penney and Ward, 22.7%) and men's specialty stores (19.6%). Yet many of these stores were sources of frustration for male shoppers.

Department stores and Sears, men thought, offered more selection of merchandise than the other types of stores. But almost a third of the men who shopped Sears thought the prices were too high, compared with J. C. Penney, which they believed had less selection but better prices. Less than one-quarter of the men surveyed thought Penney too high-priced.

Almost half of the men felt that finding their correct size would be most difficult at a specialty store; least difficult at Sears. However, more than a third allowed size would be a problem at department stores, which they also believed to carry a wider selection than other types of stores.

Both department and specialty stores stacked up well with men for service and quality of garments compared with the other outlets. Men were more likely to look for features such as service and convenience than women in choosing a store, but their main reason for shopping the retailer they did was selection, cited by 25.1% of the men surveyed.

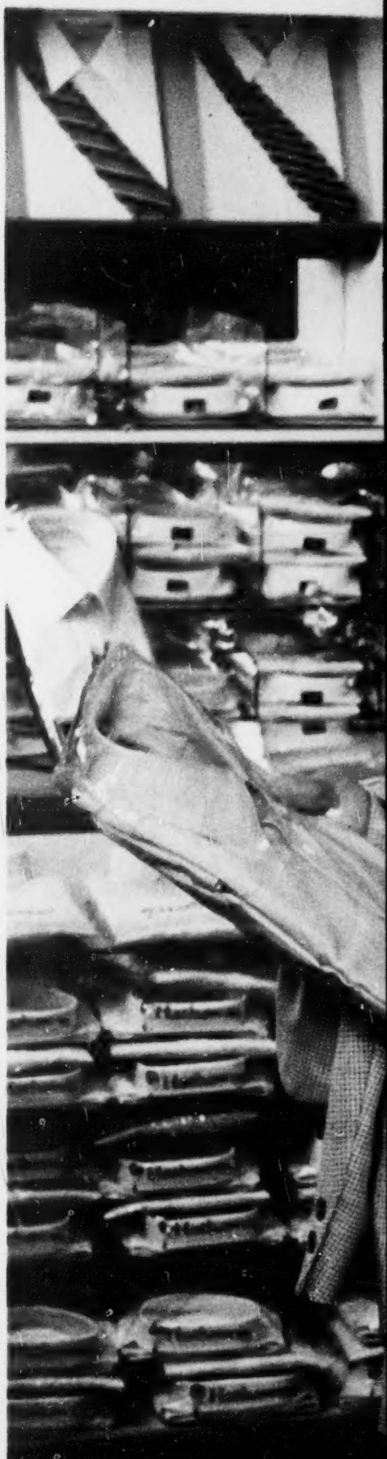
Although 16.7% of the men said they picked a store because of its prices—and more than a quarter maintained stores, in general, were too high-priced—they also tended to shop higher-priced outlets such as department and specialty stores. Only one out of 10 would go to a discount store, an off-price outlet, or buy from a catalog to get bargains or save money.

Men are becoming savvier shoppers, however. More than one-quarter were planning to shop in a different type of store for their next sportswear purchase. Almost one-half had picked up their last sportswear item on sale, and four out of five said they would be shopping sales more often than in the past.

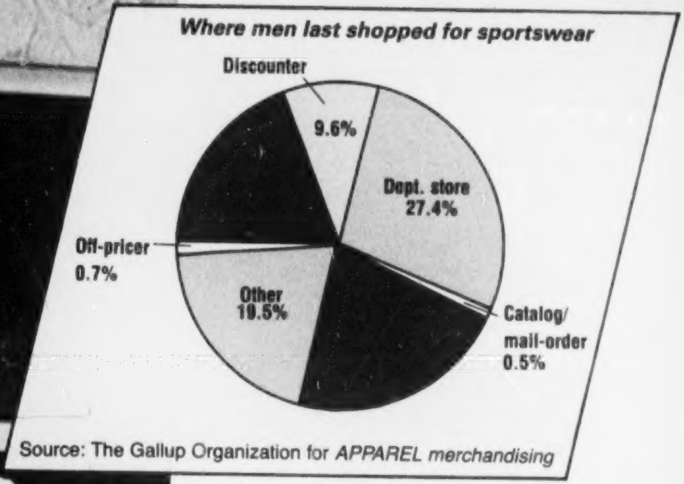
Young men expect to pay more: In the three men's wear items tracked by *Am* Gallup, 18- to 24-year-old men expected to pay slightly more for slacks and dress shirts than older men, but much less for a sports jacket, perhaps because many of them don't wear one every day. Being realistic, men expected on average to pay more than $90 for a sports coat. Less than half of the 18-24 group expected to pay more than $55, while 60.1% of the 25- to 34-year-olds and 56.4% of the 35-44 age group would pay more. Almost as many men with annual incomes under $10,000 as with incomes over $25,000 believed that $90+ was an accurate price for a sports jacket, revealing that the search for quality transcends income levels. Men who were employed part-time rather than full-time, 24.3% part-timers to 21.9% full-timers, picked this price range, too.

With dress shirts, the majority of 18- to 24-year-old men felt that $20-$29 would be the price they'd pay. Older men opted for lower prices, more in the $15-$24 range. For slacks, young men were willing to pay $25-$34, as would 25- to 34-year olds. The 35-44 age group, however, expected to pay only $20-$29, perhaps going for a slightly higher synthetic content.

Men in the Southwest, the Rocky Mountain region and along the Pacific claim they'd pay higher prices for all three of the items tracked. Men in these areas are freer with their clothing dollars than Midwest or East Coast shoppers, who are feeling the economic pinch more strongly.

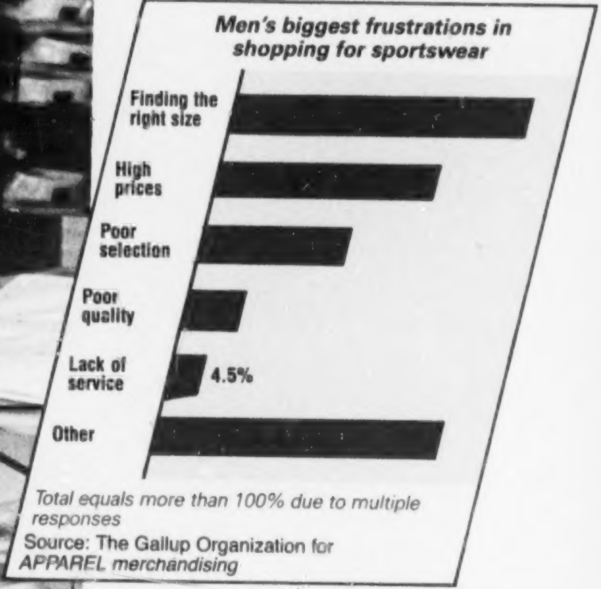


PHOTOGRAPH BY EDWARD HARDIN MACY'S HERALD SQUARE



Where men last shopped for sportswear

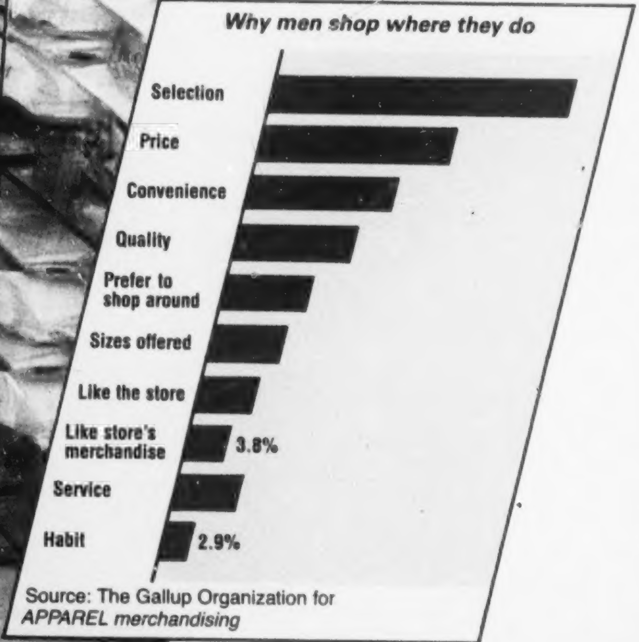
Source: The Gallup Organization for *APPAREL merchandising*



Men's biggest frustrations in shopping for sportswear

Total equals more than 100% due to multiple responses

Source: The Gallup Organization for *APPAREL merchandising*



Why men shop where they do

Source: The Gallup Organization for *APPAREL merchandising*

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WOOLCO UNPLUGGED

Hot products gobble up basics

Chain Store Age

GENERAL MERCHANDISE EDITION November 1982

for less
ACCESSORIES
TODDLER GIRLS
APPAREL
NAMES for LESS
Calvin Klein
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K MART'S BOLD OFF-PRICE FASHION MOVE

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TWO DOLLARS PER ISSUE

IN THIS ISSUE

Woolco unplugged

After an all-out effort by The F. W. Woolworth Co. to revive Woolco, management has decided to cut off the life support system and will cease operation early in '83. By eliminating this 336-unit drain on the corporation, topsiders say they will now concentrate on expanding the specialty store division 25

NAMES ForLESS
VISIT OUR NAME BRAND APPAREL DEPARTMENT

K mart's bold move

K mart has been experimenting with "name brands for less" apparel depts. that could produce fundamental changes in the way it and other retailers merchandise soft lines. The test began four months ago in a Farmington Hills, Mich., store and expanded to others only last month. 51

Singles: new lifestyle

More Americans are living alone today than ever before. By the end of the decade, unmarried heads of households will account for 50% of all home units. But while the growth has been astronomical, few manufacturers or retailers have paid heed to the needs and wants of unmarrieds. 68

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The Hunt Club demonstrates new department designs for Higbee's.

and refixturing departments by making them shallower and more attractive, and expanding some classifications such as notions.

Surprisingly, pets and the pharmacy will not be weeded out despite that most other merchants shy away from these departments. Strawbridge explains, "A department store should be a big bazaar if it has the space . . . it attracts people. If you keep eliminating departments, you drive business away, because while the customer goes someplace else for pet supplies he will buy something else there also."

When the renovation is complete, the one million-sq.-ft. store will have 460,000 sq. ft. for merchandising and approximately 250,000 sq. ft. of leased space. Higbee's currently uses 560,000 sq. ft. for retailing and leases 103,000 sq. ft. to Sohio and Women's Federal.

At the Westgate branch, Broadbent says men's, cosmetics, and accessories are being expanded while candy moves from the first floor to the second. This is the third renovation since its 1961 opening.

Parmatown, on the other hand, has outgrown its parameters, says Strawbridge. Plans are on the drawing board for adding another floor to the three-story building. However, with the recent acquisition of the Summit Mall store in Akron, Parmatown plans were slowed while management concentrated on the Akron opening.

Formerly a Halle's branch, the 110,000-sq.-ft. Summit Mall store was opened Oct. 14, six weeks after the lease was negotiated. Broadbent says that Higbee's strong charge customer base in Akron made the acquisition a favorable one. The new store's mix concentrates mostly on soft lines but Broadbent says it may expand within the next three years. ☐

Booksellers adopt GM strategies

☐ It took booksellers some time to discover what most general merchandisers have known all along—shoppers must be convinced they'd be better off buying the same product at *their* store, be it Calvin Klein jeans or Harold Robbins' latest potboiler.

As competition and market saturation have increased, the nation's top book-selling chains have adopted mass merchandising techniques in a quest to dominate an increasingly competitive and concentrated market.

The two largest chains—Minneapolis-based B. Dalton and Stamford, Conn.-based Waldenbooks—market books using methods ranging from boutiquing to front-end merchandising. Not surprisingly, the chains are subsidiaries of two top GM retailers. B. Dalton accounted for 6.5% of Dayton Hudson's revenues last year while Waldenbooks turned in about 11% of Carter Hawley Hale's 1981 sales.

At one time, bookselling was a simpler profession. Once the province of slight bespectacled aficionados, booksellers eschewed best seller lists while offering the service and ambience of the corner grocery. Department stores were also once known for their bookselling prowess. Except for some notable exceptions (Macy's and Seattle-based Frederick & Nelson, among others), most now feature only a smattering of best sellers, romance novels, travel guides and cookbooks.

The 1981 composite statistics show the book chain trend. The industry's top 11 chains last year accounted for 23.3% of the $4 billion retail book trade. The top four chains (B. Dalton, Waldenbooks, Barnes & Noble and Crown Books) garnered 19.4% of the market while B. Dalton, with 579 stores, and Waldenbooks, with 740 units, alone accounted for almost 16% on combined sales estimated at $631.8 million.

The top chains can be neatly divided into two classifications—the upscale merchants vs. the discounters (see box). B. Dalton and Waldenbooks rely heavily on selection (Waldenbooks carries about 15,000 titles) and presentation, while Barnes & Noble and Crown discount best sellers and out-of-print hardcovers, known as remainders.

Industry insiders say expanding the bookselling market itself is the biggest challenge—not necessarily head-to-head competition.

According to Brian Moran, editor of *BP Reports*, a book industry trade publication, Crown officials claim they increased total bookstore

Top four book store chains—1981

[illegible]	# Stores	Sales (millions)	[illegible]	Market share
B. Dalton	577	$319.3	$154.0	7.98%
Waldenbooks	740	312.5**	141.0	7.87
Barnes & Noble	62*	96.0	N/A	[illegible]
Crown Books	81*	42.5**	N/A	[illegible]
Totals	1,460	770.3	147.5	[illegible]

*1982 figures **estimated B. Dalton sales figures include direct mail [illegible]

Source: *CSA* research and BP Reports, White Plains, N.Y.

sales in the Washington, D.C. area by 60% and in Los Angeles by 30% to 40%.

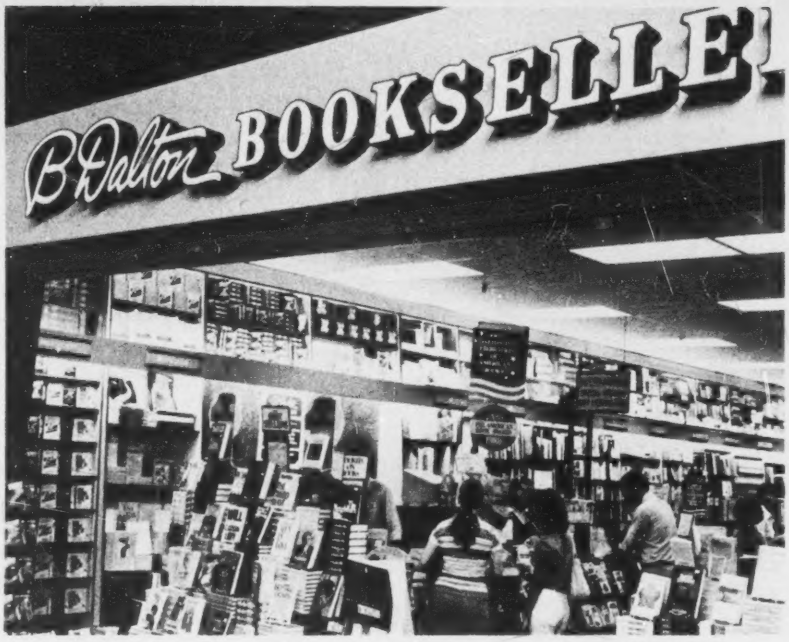
Raising the public book-buying consciousness seems to be a part of the Waldenbooks strategy as well. According to Jack Gunion, vp/store operations, Waldenbooks hosted 220 million browsers last year. "Only 25% of those were converted to purchases so we have a tremendous opportunity for conversions," he says.

Waldenbooks' marketing strategy wasn't always as precise. Until company president Harry Hoffman was hired almost four years ago (bringing along a retail savvy management team), the chain's fortunes were often left in the hands of individual store managers.

"We were growing but we weren't growing very well," recalls Gunion. "There was no regard to an exciting retailing environment. You've got to grab the customer off the mall just like any other fashion retailer."

According to company insiders, merchandising starts at the lease line where the potential mall customer is seduced by a waterfall display of new releases, numbered best sellers on the right, and magazine racks on the left. "They've got to see this. The average book buyer isn't looking for anything esoteric," Gunion notes.

Similar attention is paid the store interior, says David Culoy, vp/merchandising. According to Culoy, gondola endcaps are planogrammed and attention is paid to adjacencies.



B. Dalton markets books *with boutiquing and front-end methods.*

Boutiquing has also been adopted, Culoy says. A "young adults" section has been created and new stores will be fixtured with children's book boutiques replete with play areas and special, child-high displays.

"I think the children's area is going to boom," Culoy says. Gunion agrees, adding that chain officials expect children's books to reach 12% of total sales," doubling the current 6% level.

This year Waldenbooks also completed the installation of a $3 million point-of-sale system which, says chief financial officer Charles Cumello, has helped increase gross margins (now at 40% for books, 25% for magazines) cut expenses and control inventory.

But Waldenbooks and other booksellers are feeling the economic pinch. According to Harry Hoffman, Waldenbooks has managed to outpace the 8% to 10% industry inflation rate, "but not by a hell of a lot." He predicts his chain's same-store sales will increase 10% to 13% by the end of the year.

B. Dalton is also plagued by soft sales. According to a spokesman, sales were up 16% through August. However, the company opened 43 more stores in 1982.

Brian Moran says the two chains' figures are indicative of the whole industry. Returns are up and orders are down as booksellers attempt to fine-tune inventories. What started as a strong sales year, he says, may result in disappointing volume figures for many book retailers—sales are only up by the industry inflation rate.

But as Hoffman and other industry officials note, merchandising and market expansion may be the key to solid growth as booksellers continue their efforts to sell essentially the same brand of soap.

"The book industry is not really a merchandise industry," says Hoffman. "The publishers look at books as works of art, not merchandise. They have to do this." ☐

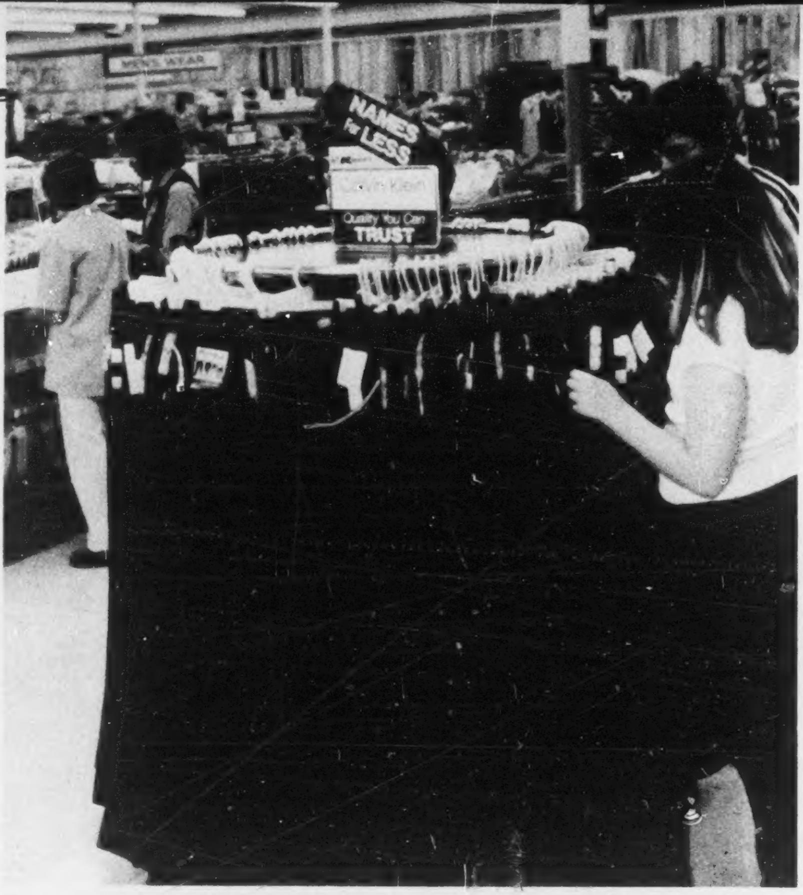
Crown Books: the discount upstart

☐ **Crown Books, the Maryland-based discounter, is making its mark on the book-selling industry much like K mart, which took the variety store industry by storm in the 1960's.**

Within the past two years, Crown has entered four major markets, more than doubled its outlets and has increased its sales from an estimated $17.5 million in 1980 to $42.5 million in 1981.

B. Dalton, a nondiscounter, has responded. Earlier this year the chain opened three discount outlets in Columbus, Ohio, called Pickwick. Although company officials say they're pleased with results, one industry insider says poor sales have temporarily halted an ambitious expansion program. "They said they would open 100 stores by 1983," this source notes, "but they still only have the Columbus stores."

Waldenbooks pres. Harry Hoffman admits Crown has dented his chain's best seller trade (which accounts for about 6% of sales in a nondiscount store) in California and Washington D.C. But, he adds, Waldenbooks will not embrace discounting. "We don't go on price, we go on selection and how we present our books to the customer," he says. ☐



Consumers can find both *Calvin Klein denim and stone-washed jeans at K mart.*

warm-up suits, $22.97 (sale $17.97). Shoes: Nike and Adidas.

K mart also is moving to forge a branded image in domestics. St. Mary's and Martex linens will be featured.

The Farmington Hills store is not a typical K mart. A takeover store, it has an extreme right of center entrance that in the past caused merchandise layout problems. But with the new apparel program customers receive an immediate branded apparel impact upon entering. All apparel areas are carpeted. Women's/juniors' apparel is to the right of the entrance. Men's wear is to the left, about halfway up the midway promotional aisle which in itself speaks of the change. Of 11 dump displays observed by *CSA*, eight contained branded apparel, including Bon Jour sweatsuits, $24.99, Sasson women's jeans on sale for $16 (reg. $19.97), Rustler boys jeans, $9.97, Calvin Klein for women, $19 (reg. $22) and men $20 (reg. $29.97), and Izod socks sale priced at $2 a pair.

Signing is extensive. At the door customers are advised to visit the name brands for less departments. "Names for less at K mart, Quality you can trust" signs are posted liberally throughout apparel. On the lingerie wall displayer, applique names of Maidenform, Lily of France, Lillyette, Carnival and Playtex are pasted.

K mart's branded push comes on the heels of moves by Gold Circle, Bradlees and T.G. & Y.'s AIM for the best Stores to sprinkle brands into everyday mixes. In addition, Dayton Hudson is researching off-price potential, a field that has experienced phenomenal growth. A survey taken last year by Leo Shapiro & Assoc. showed that 50% more people had shopped in an off-price store than in 1977. Public acceptance and desire of brands is growing.

K mart attempted to cash in on the brand image with a summer debut of its Jonathan Logan program. Now, the $16 billion chain has a branded program that has the potential to dwarf all other off-price operations.

However, the chain's size could lead to delays in implementation as it gets its distribution and merchandise inventory systems in place. In the interim, smaller, regional discounters could take advantage of the opening in the branded apparel pipeline and begin winning customer acceptance.

K mart, however, is not overly concerned. "Others may beat us in presentation, but not in price," says one source. Indeed, the Farmington Hills store is a good laboratory for price testing. Across the street are no less than four off-price outlets: Taggs, T. J. Maxx, Dimensions and Loehmann's. ☐

Consumer watch: women's robes

☐ Bathrobe buyers have to work hard to get year-round sales as almost 50% of today's shoppers say they buy robes for gifts, points out a nationwide Gallup Poll on robes conducted exclusively for *Chain Store Age*.

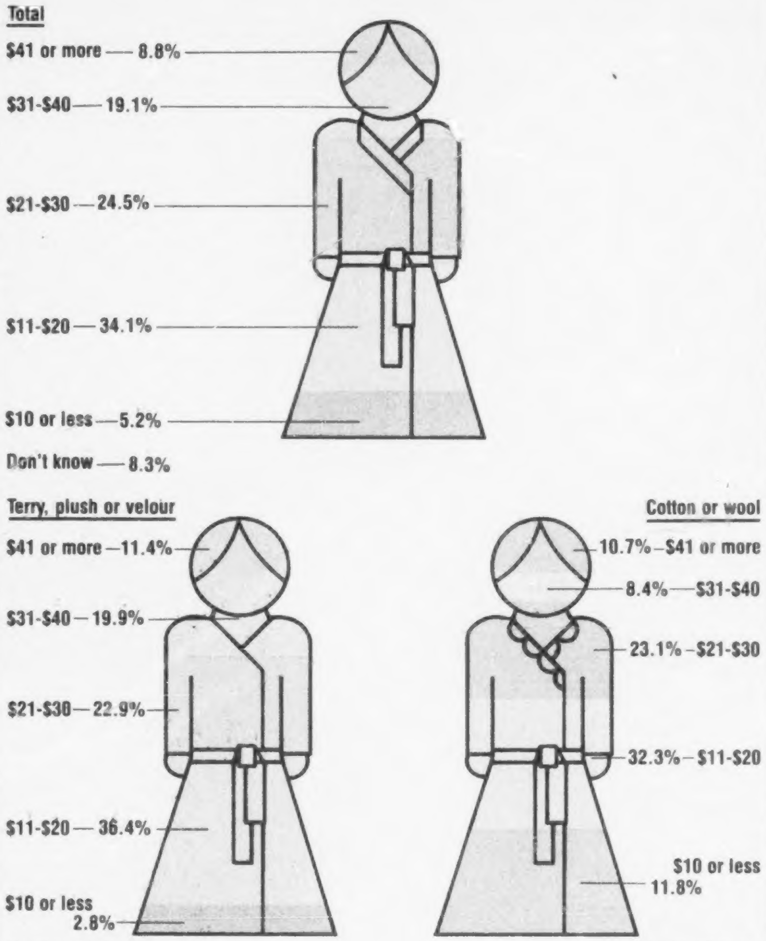
Most buyers from department to discount stores concede Christmas sales, in fact, make up the bulk of the business.

Today, nearly 50% of the women in the United States own either two or three bathrobes, indicates the Gallup research. Over 25% have two bathrobes in their closet, while 1 in 5 possess three. Women aged 35-44 are most likely to have two bathrobes; consumers aged 25-34, three. Women who own one bathrobe represent 10% of the female population, while those who own more than three account for 34%.

Because so many shoppers possess bathrobes, the majority of shoppers (51.4%) indicate they do not plan to buy one this year. Still, 46.2% say they have bought or will buy a robe this year. About 3% are undecided about purchasing a robe.

The largest number of those shoppers who intend to buy a robe this year note they will shop department stores for it. About 37% say they prefer this type of store. Discounters come next on consumer preference lists, with 15.3% planning to buy a robe there. Lagging behind are specialty stores. Less than 10% of the women report they will go there. J. C. Penney and

1 in 3 shoppers wants a robe priced between $11 and $20



Source: *CSA*/Gallup Organization

Sears also drew less than 10% favorable response from consumers. Nine per cent note they will go to Penney, while 8% say they will head to Sears.

Buying on sale, surprisingly, is not uppermost on robe shoppers' minds. Over 50%, in fact, acknowledge they do not look for a bathrobe on sale, while 36% say they do. About 10% are unsure if they will buy a robe whose price has been slashed.

The largest number of women point out they will pay between $11 and $20 for a robe, according to the Gallup research, revealing that many consumers shopping department stores may just be looking instead of buying. Nearly 37% say they are in favor of the $11-$20 price points, while a little over 23% prefer to pay between $21 and $30, again indicating a lot more lookers than buyers at department stores. Not quite 20% of the women nod to the $31-$40 price bracket, while less than 10% say they will pay over $41, where many department stores start robe price points.

The majority of shoppers say they expect their robe to last between two to four years.

Most shoppers aged 25-44 allow they will purchase robes in the $11 to $20 price bracket, while more consumers aged 18-24 observe they will pay $21 to $30 for robes. Interestingly, 50% of the shoppers aged 45-49 say they will buy robes priced between $31 and $40.

Terry, plush or velour robes drew the most enthusiastic response from shoppers who plan to buy robes in the $11 to $20 price bracket. Their next choice: cotton or wool robes. Satin or satin-like robes were the favorites of those who aim for the $21 to $30 price range. These are also the most desired in the $10 or less range. Shoppers intending to pay over $40 vote for terry, plush or velour robes.

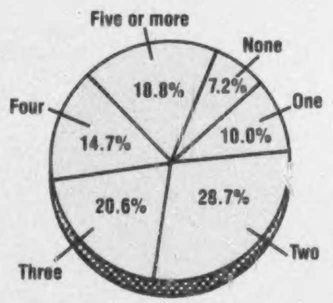
The overwhelming majority of consumers are in favor of floor-length robes, notes the Gallup Poll.

Department stores are the preferred place to buy robes

	Total	18-24	25-34	35-44	45-49	50 & over
Department stores	37.6%	38.6%	33.1%	46.5%	38.9%	34.0%
Discount stores	14.9	11.8	19.8	14.1	11.2	14.0
J. C. Penney	9.1	14.5	14.1	8.1	—	4.5
Sears	8.9	2.6	9.9	9.1	8.3	11.5
Specialty stores	7.9	2.6	9.2	7.1	11.1	9.6
Off-price stores	1.9	1.3	2.1	—	8.3	1.9
Catalog/mail-order	1.5	2.6	—	5.1	—	0.6
Montgomery Ward	1.2	—	1.4	1.0	—	1.9
Others	17.0	26.0	10.4	9.0	22.2	22.0

Source: *CSA*/Gallup Organization

A little more than 1 in 4 women own two bathrobes



Source: *CSA*/Gallup Organization

Nearly 4 out of 5 opt for this length, while a little over 20% say they prefer knee-length.

Buying a robe is not a yearly chore, the Gallup research discloses. The majority of shoppers say they expect their robe to last between two to four years. Including those consumers who maintain a robe should wear for five years, the percentage climbs to over 70%.

Retailers take note: Nearly 16% of the male population will give robes as gifts this year. Unlike most women shoppers, the largest number of men will pay between $21 and $30. Most men elect not to buy on sale, so if they see what they want, Gallup research indicates they may be inclined to pay more.

Just as the women allowed they would shop department stores, so do the men. In fact, men's shopping patterns are just about parallel to women's, with some exceptions. Men prefer Sears over Penney and are less willing to go to specialty stores.

What's more, men are most likely to buy floor-length robes, perhaps because their wives or girlfriends informed them of their preference for this length. They also favor the same fabrications as do the women, probably due to the same reason. ☐

Robe prices: high at malls

☐ While the Gallup Poll points out that roughly 35% of the women in the United States want to pay between $11 and $20 for a robe and that they intend to purchase this robe at a department store, a trip to shopping malls indicates that these women may say one thing and, in fact, do another.

As department store prices are in excess of $20, women are either looking in department stores and buying at chains or discounters or they are paying more than anticipated.

Take a shopping center located in Bradenton, Fla., halfway up this state's west coast. Frequented by consumers with incomes around $20,000, the mall contains Penney, Sears and Maas Brothers. Nearby are a number of K marts.

Maas Brothers, owned by Allied Stores, featured robes of all lengths, sizes and fabrications—from knee-lengths to floor-lengths, from petites to regular sizes, from terry cloths to satin looks to velours. The selection was quite well-rounded, an informal survey of customers revealed.

But the prices were nowhere near those the women in the Gallup Poll wanted to pay. Consider a floor-length satin quilted robe made of 100% polyester. It carried a Maas Brothers' label and retailed for $125. Or take a floor-length velour robe from Vanity Fair, made of 100% Dacron polyester. It retailed for $60.

About the only robes that came close to the range indicated by Gallup customers were a full-length brushed navy robe with baby blue piping from Epitome, made of 85% acetate/15% nylon, retailing for $32, and a knee-length terry cloth (80% cotton/20% polyester) robe from Coco Bay, retailing for $28. Both were a far cry from the targeted $11 to $20 price range.

Now take Penney. While retails did not reach over $100, Penney stocked quite a number of robes in the $40 price bracket. There was a Dacron polyester long-length velour robe for $40, as well as a long quilted robe of $100% Antron nylon for $40 and a long brush-faced robe with braided belt for $42, made of 80% Arnel triacetate/20% nylon. All were appealing, but definitely not within the price range consumers had in mind. In women's a full-length nylon tie-front robe for $27 was available, if women wished to trade up.

Nonetheless, a junior-sized robe did fit Gallup consumers' price specifications. It retailed for $16 and was a short-length belted terry (70% cotton/30% polyester).

All Penney robes carried the J. C. Penney label. No brands were featured at this store, neither were any stocked at the Sears unit. At Sears, the robes also carried the store's label.

Of all three stores in the mall, Sears had the largest selection. In fact, the entire store was crammed with merchandise, making it difficult to shop.

Even so, a number of Sears' robes were within the price bracket women interviewed by Gallup had indicated they would pay. A full-length quilted robe, for example, of 100% nylon, retailed for $19. A full-length

FINANCIAL NEWS

NRMA's MOR notes less turns, GM in '81

The critical balance between stock turns and gross margin for retail profitability was underlined in the 1982 edition of the National Retail Merchants Association's "Merchandising and Operating Results of Department and Specialty Stores" guide. Not surprisingly, the latest MOR indicated that merchandising divisions with the highest stock turns generally produced the highest gross margin return on investment (see chart).

The problem is that 81's highly promotional retail environment pressured gross margins so that eight of the 10 upstairs departments in department stores with over $1 million in volume reported higher markdowns last year than in '80. For while markdowns for the top 10 averaged 10.87% in '80, this climbed to 11.27% last year.

Stock turns couldn't pick up the slack. Only two divisions, shoes and men's apparel, turned at a quicker pace last year. Furniture and decorative accessories were lower and the remaining departments had identical turn rates in '81 as compared to '80.

Shrinkage rates also pressured profits. Among the 10 departments identified as the most likely targets for light-fingered customers (led off by budget/costume jewelry with alcoholic beverages ranking 10th), six showed increases in shortage as a per cent of sales while four reported declines vs. the year before.

Top performers for department stores

	Gross margin (% of sales)	Stock turns	Rank	Gross margin return on investment in inventory	Rank
All shoes	44.5	2.3	5	1.63	5
Women's apparel	43.0	3.8	1	3.05	1
Intimate apparel/ accessories	48.2	3.0	2	2.79	2
Men's apparel	43.5	2.8	4	2.17	3
Infants', Boys', Girls' apparel/accessories	42.4	2.9	3	2.17	3
Personal needs/ smallwares (food, tobacco)	39.0	2.9	3	1.81	4
Hobby/recreation/ transportation	30.2	2.1	7	1.20	8
Home furnishings (furniture/decorative accessories)	42.4	1.6	9	1.30	7
Home furnishings (appliances/utility equipment)	31.9	2.2	6	1.09	9
Domestics/draperies/ home goods	42.7	1.9	8	1.46	6

Source: National Retail Merchants Assn.

May snares Porzig for planning vp spot

Dayton Hudson must rank as the most popular stomping ground for retail headhunters. In the past two years, the diversified retailer has lost top execs like Allan Pennington and Bruce Allbright to Woolworth and Stephen Pistner to Montgomery Ward, to name just three, and corporate topsiders even concede the brain drain is proving troublesome.

The latest ship jumper is Ullrich Porzig, vp/controller for Diamond's, Dayton Hudson's Arizona division. Porzig has joined The May Co. as vp/planning and analysis. He succeeds Thomas Fingleton, who has transferred to May-D&F in Denver as finance vp.

Ullrich E. Porzig

Porzig joined Dayton Hudson in 1973 after a four-year stint with Ford Motor Co. He has since held positions in financial and business sytems analysis, profit analysis, financial planning, internal audit and operations analysis and credit operations functions.

Family Dollar keeps churning out stores

Ron Ernst of Management Horizons, the Columbus-based think tank, cautions retailers that, "If you button down your flaps to weather the [economic] storm and resurface in two years, you've missed the boat."

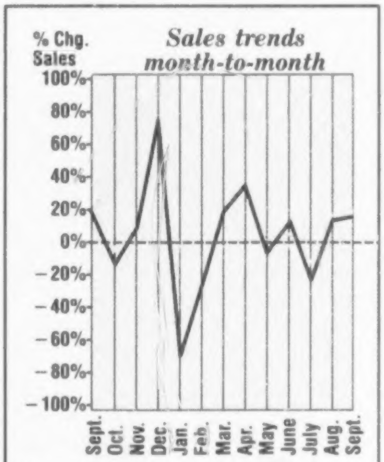
One not waiting for a smoother sailing climate is Family Dollar Stores. The Charlotte, N.C.-based discounter is picking up where it left off at the close of its last fiscal year, ended Aug. 31, with 14 new stores in September alone.

Last year Family Dollar opened 74 stores in its Southeast marketing territory and plans at least that many openings this year. What's more, internal expense control appears to have limited the negative impact capital spending has had on profits. Selling, general and administrative costs, as a per cent of net sales, dipped by six-tenths of 1% in the third quarter alone. And while year-end figures are not yet available, Family Dollar closed the third quarter of fiscal 1982 with net earnings hitting $7.8 million, up 17.4% on the year before.

Scared shoppers slay Sept. sales

Consumers, frightened by the continuing rise in unemployment, are holding back on their spending. This refusal by consumers to shop resulted in a meager 3.3% sales gain in September for the 18 chains tracked by *CSA*.

While Government officials say the drop in interest rates and the steep decline in inflation should spur increased consumer spending, leading to a general economic upturn this year, retailers are less optimistic.



Composite of sales trends (increases or decreases) from month to month for the 18 retail companies tracked by *CSA*.

"I don't think we're going to see a dramatic turnaround before Christmas," says Dayton Hudson chairman Kenneth Macke, "and I have a feeling retailers will still be looking for it on Dec. 26."

"Consumers clearly have sufficient capacity to spend more freely than they have been," notes Howard Goldfeder, chairman of Federated Dept. Stores, "but we see no indication that they have any enthusiasm for doing so."

This lack of consumer response to retailers' efforts to increase sales is particularly depressing to analysts who say any overall economic recovery will have to be prompted by consumers loosening their purse strings.

The only chains posting strong gains were discounters appealing to middle- and upper-income shoppers. Mervyn's and Target chalked up sales gains of more than 20%, boosting the Dayton Hudson total increase to 15.6%. Zayre, the Boston-based upscale discounter, continued its strong gains of earlier months with a 24.5% increase in September, raising its year-to-date increase a full percentage point to 19.3%.

At Bentonville, Ark.-based Wal-Mart, still the leader with a September gain of 28.6%, same-store sales rose only about 7%.

Despite the bleak picture, most industry analysts are projecting a relatively strong finish for 1982. Jeffrey Edelman of Dean Witter Reynolds says the "economy is bottoming out" and that the retail industry is "on the turning point of seeing a gradual improvement in sales."

Sales slump continues in September

		SEPT. SALES*		STORES		8-MO. SALES*		
MAJOR CHAINS	% change	1982	1981	1982	1981	1982	1981	% change
SEARS[1]	+ 2.2	1,866,148	1,825,314	851	859	12,727,932	12,511,266	+ 1.7
PENNEY	+ 0.3	1,048,000	1,045,000	2,058	2,102	7,082,000	7,140,000	– 0.8
WARD[1]	– 5.5	477,359	505,190	389	427	3,407,709	3,576,762	– 4.7
FEDERATED[5]	+ 5.3	506,400	480,800	359	N/A	3,292,300	3,099,700	+ 6.2
DAYTON HUDSON	+ 15.6	477,483	413,072	941	890	3,205,909	2,803,641	+ 14.3
MAY DEPT. STORES	+ 5.9	335,000	316,200	1,349	1,236	2,122,700	2,029,100	+ 4.6
CARTER HAWLEY HALE	+ 4.3	266,800	255,900	999	928	1,753,100	1,667,300	+ 5.1
MERCANTILE	+ 13.2	112,993	99,799	85	83	815,390	729,761	+ 11.7
K MART	– 3.6	1,510,659	1,567,376	2,396	2,347	10,449,821	10,167,250	+ 2.8
WOOLWORTH	+ 1.5	664,001	654,463	N/A	N/A	4,552,071	4,469,984	+ 1.8
HOUSEHOLD MERCH.[2,3,5]	+ 2.6	233,078	227,155	3,801	3,900	1,858,534	1,858,576	N.C.
WAL-MART	+ 28.6	247,000	192,000	525	469	1,984,000	1,376,000	+ 44.2
T.G. & Y.	+ 14.4	150,776	131,752	925	925	1,282,708	1,172,370	+ 9.4
ZAYRE[4]	+ 24.5	201,472	161,794	612	559	1,286,190	1,078,396	+ 19.3
MURPHY	+ 0.5	69,180	68,807	427	439	514,542	493,273	+ 4.3
ROSE'S	+ 10.5	41,897	37,920	236	235	394,550	360,744	+ 9.4
MELVILLE	+ 17.4	320,040	272,685	5,392	5,025	2,183,536	1,845,245	+ 18.3
TANDY	+ 19.9	174,563	145,577	N/A	N/A	1,318,807	1,106,666	+ 19.2
EDISON BROS.	– 5.2	88,097	92,976	2,129	2,029	649,396	674,317	– 3.7
TOTALS & AVERAGES	**+ 3.3**	**8,640,170**	**8,362,028**			**59,598,487**	**56,987,981**	**+ 4.6**

**000 omitted. N.C. = no change. N/A = not available.*

[1] Store number for full-line outlets only. [2] Plus 2,838 franchise stores (vs. 2,923 a year ago). [3] Includes T.G. & Y. sales. [4] Includes 265 Zayre stores (vs. 252 a year ago), 268 Hit or Miss stores (vs. 253) and 79 T. J. Maxx stores (vs. 54). [5] Excludes supermarket sales.

Sears sets sale of Spanish subsidiary

Sears, Roebuck & Co. is pulling out of Spain where the United States' largest general merchandise retailer has operated for the past 15 years.

Galerias Preciados has agreed in principle to purchase the three department stores and 21 hard lines outlets from Sears for "an attractive offer," according to Sears chairman and chief executive officer Edward R. Telling.

A Sears spokesman notes that sales for the Spanish unit have "not been meaningful" to the company's overall sales ($18.2 billion in 1981). Telling adds that "growth for retail operations in Spain would have required a sizable investment." Sears is following the lead of F. W. Woolworth which closed its seven Spanish stores in 1980.

NOTE

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THE NEW CONFORMISTS

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"BABY BOOMERS" FALL INTO STEP

2ND ANNUAL CONSUMER BUYING INTENTIONS STUDY

IN THIS ISSUE

Chain Store Age
GENERAL MERCHANDISE EDITION
THE NEW CONFORMISTS

cover photo by Eric Barick

Special issue news

Regular features of CSA, such as the Touche Ross Management Development Course, do not appear in this issue because of the special Consumer Buying Intentions Study. They will return next month.

Copies of the research data compiled for the CSA study of 9,000 households may be purchased. For more information, contact Murray Forseter, editor.

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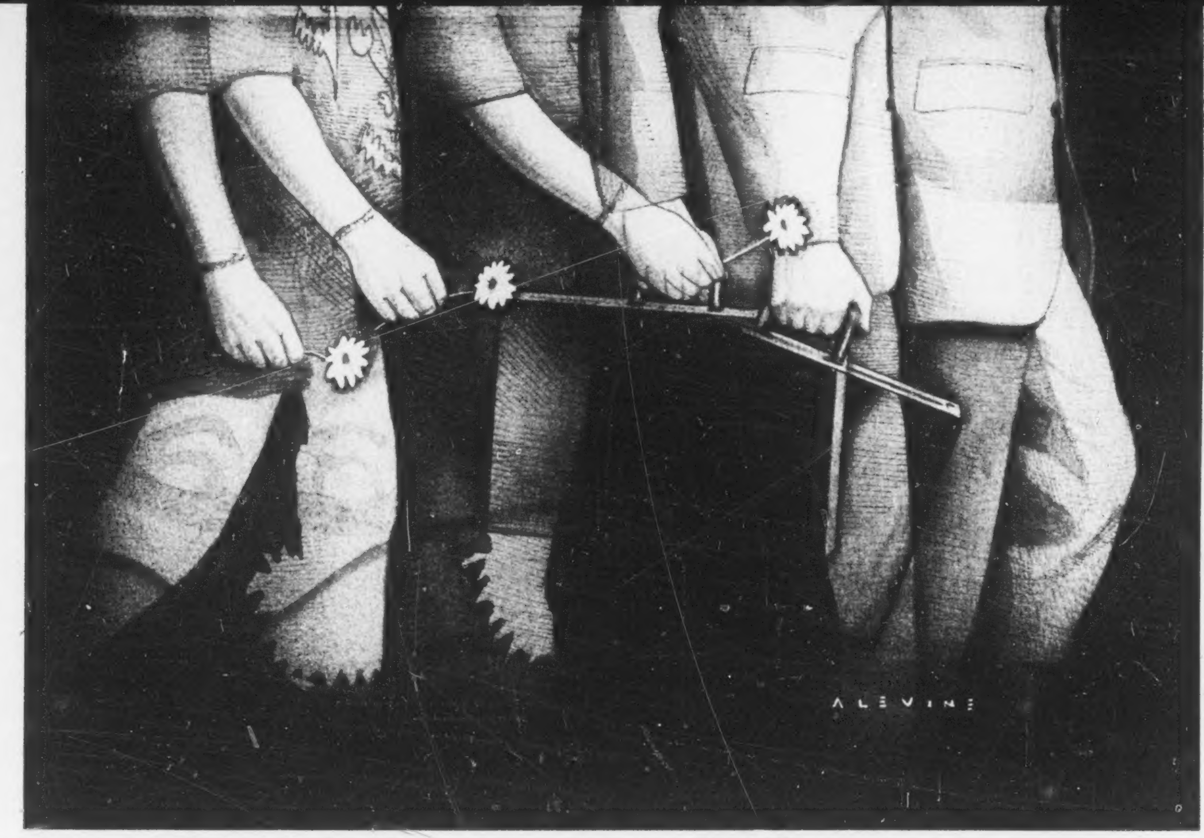


The baby boomers fall into step

Figuring out the 'Pepsi Generation' is an iffy business at best

Margaret Hadlock concedes the recession hit home this year and was no longer "something you read about." With her $25,000 income, price should be a priority when the Seattle native selects a store. Hadlock's tastes, however, run toward "sedate" and expensive high-end department stores like I. Magnin for apparel and mom and pop stores for hard lines.

Kent and Susan Wedel have been hard hit by the economy. But even with their combined income of $74,000 last year, the Wedels didn't see any reason to shop keystone prices at department stores. Instead, Sears, Penney and even K mart snared the couple's apparel spending dollars.

Hadlock and the Wedels have two things in common. They're baby boomers, churned out during the great baby making stretch between 1946 and 1964 when one-third of the entire population hit the scene.

Secondly, these consumers and their boom generation peers are as predictably unpredictable as any other shopping group. And despite repeated attempts to pigeonhole the baby boomers, they remain an elusive lot.

Since they began flooding hospitals and schools in the 40's and 50's, baby boomers have been monitored more carefully than any generation in history. Retailers took notice in the 60's when the boomers flocked to suburban shopping malls—their allowances in one hand, shopping lists in the other.

"Because of its massive size and huge potential impact on everything in society, this generation has been under a microscope nearly since conception," says Alan Murray, vp in Citibank's economics department. "Every slight nuance in its habits has been treated as earth shattering."

But the social bloodhounds apparently lost track of the generation when the baby boomers reached maturity because misconceptions about the boomers are still abundant.

Robert Savage, pres. of Compton Advertising, claimed recently, "[The baby boomers] seek immediate gratification . . . They're fad-oriented . . . less committed to work." Other generation watchers charge the boomers have enormous disposable incomes that they part with happily to satisfy whims.

Merchandising strategies based on expected shopping habits such as these will be greeted by a *very unreceptive audience*. And without reaching these 76 million shoppers, no merchant can succeed in the 80's, cautions one top retail marketing exec.

What most observers now realize is that the generation raised on, "Dr. Spock, suburbs, sex, drugs, rock 'n' roll, movies and television," as Savage sees it, has fallen right into step with the rest of the population.

"What's happening now," explains Tom Murnane, director of shopping trends research for Management Horizons, "is that the behavior patterns of previous generations are showing up in this generation—the goals of having a home and children."

"The risk in looking at the baby boom generation and generalizing that it's highly different from previous generations is that most people only compare baby boomers to their parents," adds Richard Hokenson, economic demographer for Wall Street's Donaldson, Lufkin & Jenrette. "When you look back at earlier generations, it's really the parents that were different."

For example, Hokenson points out while 60% of all mothers of baby boomers married before the age of 20, only 40% of the baby boomers' grandparents wed in their teens.

Enormous disposable income: The label that has stuck to the baby boomers longest is that they have enormous disposable incomes and spend them recklessly—a logical tagline considering the size of the generation's paychecks. The boomers' combined income last year was $424 billion. As their median income ratchets upward to a projected $30,000 per year by 1990, the generation's aggregate earnings is expected to hit $1.2 trillion, nearly half the entire United States gross national product last year.

Beefed up by baby boomers hitting their peak earning years, estimates are that the number of households classified as upper income (earning $25,000 annually in 1977 dollars) will mushroom by 10.4 million in the 80's for a total of 25.6 million families. At the same time, the total family growth in the United States will expand only 9%.

The net result, demographers predict, will be the creation of a consuming elite. Prognosticators say that from 1970 to 1990, families earning $25,000 or less will see their incomes inch upward 1.8% while discretionary dollars remain flat. Families earning $25,000 or more will see their incomes soar 88.8% with discretionary dollars leaping 116%.

But the baby boomers also face severe fiscal pressures. The U.S. Agriculture Department projects that the price tag for raising a child born in '81 to age 18 is $134,000, or more than four years salary by 1990 standards.

Dr. Sandra Shaber of Chase Econometrics points out that the relative income of the baby boomers

Debunking the big spender myth

Willing to wait for what they want

	Would delay buying if cut back spending	
	Baby boomers	Nonbaby boomers
Housewares	63.1%	58.7%
Lawn & garden	62.1	57.8
Hardware	56.3	53.3
Consumer electronics	74.3	61.8
Photo/camera	81.7	69.0
Sporting goods	67.8	64.3
Home/office	72.0	65.5
Health & beauty aids	21.1	10.1
Domestics	37.2	39.8
Other	66.2	56.6

Source: *CSA*/Leo Shapiro & Associates

☐ The microscope that magnified the shopping habits of baby boomers throughout their years as swinging singles apparently lost focus as the generation matured and married. If there's one criticism leveled at the generation debunked by the *CSA*/Leo Shapiro research, it's that cold cash burns holes in their Levi's.

Baby boomers, in fact, appear more willing to tighten their belts. More than half the boomers polled by Shapiro report cutting back on their standard of living in recent months while only 46.6% of the rest of the population admits to lifestyle retreats.

The generation that observers claim demands instant gratification is also more willing to put off purchases. Overall, more than two-thirds will trim their spending sails and wait out economic squalls as compared to 55.7% of all nonbaby boomers.

Elliot Stone, pres./ceo of Jordan Marsh-Boston, agrees that boomers have developed a shopping discipline. When furnishing a home, Stone notes, most consumers buy what they can afford. Baby boomers buy what they want . . . but in stages.

"They have certain specifications in mind to suit their lifestyle and they'll select merchandise and pay the price," Stone says of the boomers. "They may not be able to buy as much, as often, but what they buy will represent quality . . . regardless of price."

The Shapiro research did discover that baby boomers tend to buy at the first store they visit—doing less comparison shopping between stores than the rest of the population. Critics may credit this to instant gratification, but Shapiro pres. George Rosenbaum counters there are simpler explanations.

First off, he says, boomers are "time poor." More than two-thirds of all baby boom couples fall into the two-income-household slot. More importantly, Rosenbaum adds, they're presold by advertising, etc., so they "know what they want."

"Fast laners or not, we're much more efficient shoppers," boasts Katherine Gray of Los Angeles. "We understand our goal price range—what quality and brand we can afford."

Generation watchers also charge that the baby boomers buy today at the expense of saving for tomorrow. Again, the statistics paint a different picture.

Diary Panels run by the Bureau of Labor Statistics to chart savings vs. spending patterns indicate young people tend to have small nest eggs. "But this was a fact of life in 1961, before the baby boomers reached maturity, and it was just as true in 1971," points out Richard Hokenson, economic demographer for Donaldson, Lufkin & Jenrette.

Is this newfound shopping discipline simply a knee-jerk reaction to the boomer's heightened concern over the economic malaise? Alan Murray, vp in Citibank's economics department, doesn't think so. "They did have a greater appetite for spending and they have come to expect more," Murray contends. "But once they're really out on their own they feel the pressure." ☐

Resilient crowd those boomers

☐ Baby boomers are a plucky lot indeed. First called when pink slips are circulating, boomers view the future the same way Broadway's Annie does—there will always be a tomorrow and it's going to be better than today.

According to the *CSA*/Leo Shapiro poll, 4 of every 10 baby boomers claim they're better off this year than last and more than half expect their family incomes to increase in the coming months. Only 22.4% of all nonbaby boomers feel more secure this year and barely a third anticipate better days ahead.

And by nearly a 2 to 1 margin, the boomers are more optimistic that their paychecks will fatten faster than inflation.

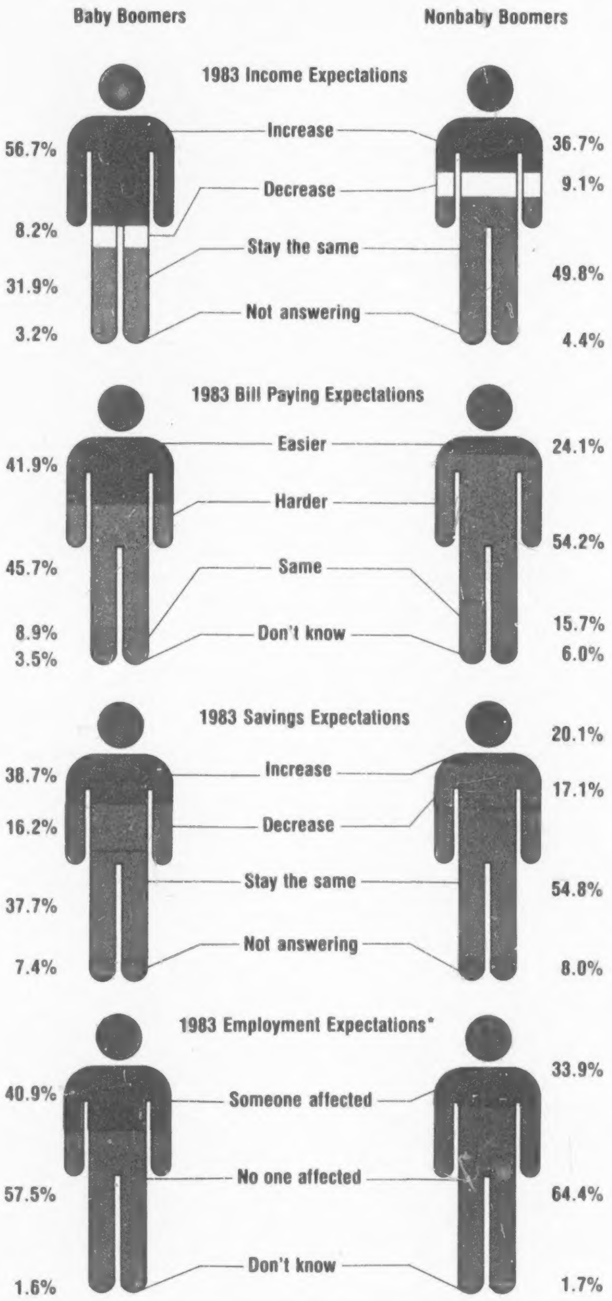
This rosy outlook comes in spite of the fact that the baby boomers concede they're more vulnerable to the vagaries of hard-times economics. More than a third of the boomers report employment problems for a family member in the past year and 41% expect employment difficulties next year.

Another signal that the generation realizes the economic gun is pointed its way comes from studies tracking consumers' perceptions of their households' discretionary income.

A Management Horizons survey found that all consumers *believe* they have $95 per month in discretionary income. Squeezed the most were households headed by 18- to 26 year olds, with 40% estimating they have less than $50 per month. Households headed by 27- to 35 year olds claimed to have the most play money, averaging $113 a month in discretionary income.

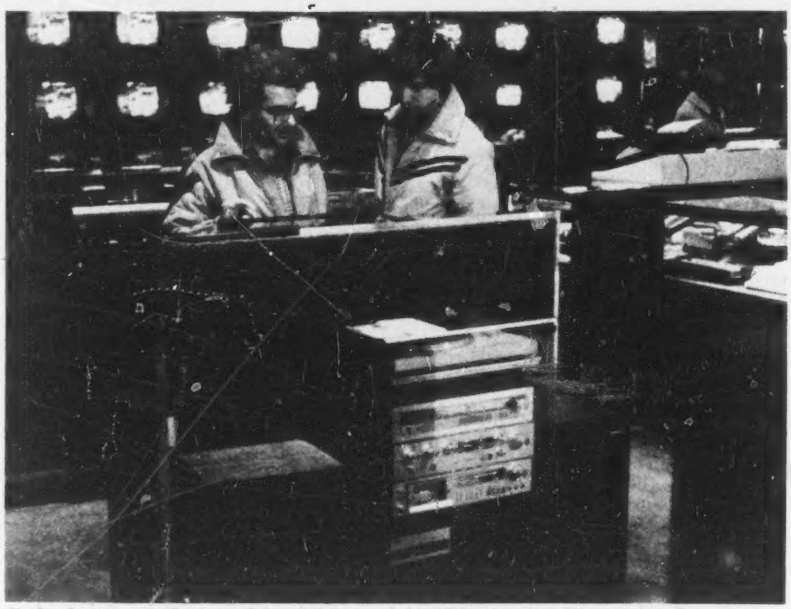
But even those better-than-average older baby boomers appear inclined to beef up their bank accounts. Some 45% reported they would save all or part of last July's tax cut while 62% of the younger boomers would put at least some aside. ☐

An 'Annie's'-eye view of what's ahead



**What are the chances of someone in your family being laid off, losing a job or having hours, commissions or overtime cut during the coming months?*

Source: *CSA*/Leo Shapiro & Associates



Baby boomers: the tuned-in children of the "Electronics Generation."

has been weakening. Comparing the earnings of consumers 25 to 34, the heart and upper limit of the boom generation, Shaber says baby boomers earned 98% of the median income of all families in '79, or slightly below average. Last year, the boomers earned only 96% of the median income of all families.

"These are not phenomenal differences," Shaber says, "but remember they occurred in a span of two years."

The recessions of '73-'74 and today have also dampened the baby boomers' one-time propensity for spending. Shaber notes that baby boomers are more vulnerable to economic downturns (see accompanying stories).

Studies also indicate that the baby boomers realize they're financially strapped. A Management Horizons poll found that the younger baby boomers, age 18-26, perceived they have less discretionary income than the population as a whole while the older boomers, age 27-35, believed they have the highest. But even the older crowd was inclined to save when asked what they'd do with July's tax cut dollars (see accompanying story).

The *CSA*/Leo Shapiro & Associates Consumer Buying Intentions Study also bucks the widely accepted opinion that baby boomers finance today's spending at the expense of saving for tomorrow. Baby boomers, in fact, are more willing to delay purchases when cutting back on spending as compared to nonbaby boomers. They also show a stronger tendency toward saving.

While comparable numbers of consumers polled by Shapiro—59.4% of the baby boomers and 59.3% of the nonboomers—say they haven't been able to save in recent months, 38.7% of the boomers expect savings to jump next year vs. 20.1% of the nonbaby boomers.

Economically pressed or not, baby boomers are still in the marketplace. Of the 37 hard lines products tracked for *CSA* by Shapiro, baby boomers equaled 43% of past year buys and 46% of the anticipated spending while representing only 36% of the households in the polling sample.

"They're still spending," sums up Woolworth's marketing vp Allan Pennington, "but they want a bigger bang for their bucks. They're much more value oriented and this can be price or service."

Are discos different? Landon Jones, author of "Great Expectations: America and the Baby Boom Generation," claimed the boomers "created the fad and their shopping patterns will continue to erupt into one fad or another in the future."

Richard Hokenson agrees . . . to a point. He says the label is primarily a result of when it was given—early on in the generation's development before baby boomers faced the financial strains of being out on their own.

"The one characterization of singles is that they have time and monies to indulge themselves," Hokenson says. "But are discos really different from speakeasys?"

A good sign for retailers is the fact that singles do tend to spend more heavily and projections are that by the end of this decade, 50% of all family units will be singles. Hokenson adds, however, that the appeal of fads to baby boomers makes the generation even more unpredictable.

Retailers, he notes, who want to reach boomers must move into developing markets early in the power curve or the once loyal baby boom customer will shop the store that has the goods first.

While the baby boomers appear intent on disproving as many of the labels linked to them as possible, the one tag that best umbrellas these consumers is that they are, indeed, the "Electronics Generation."

Plugged in boomers tune in electronics

Clark Falkman once blew out his eardrums sitting too close to the speakers at a Jethro Tull concert. But the painful experience hasn't deterred the suburban New York resident's appreciation of hard, and loud, rock music. He's still adding to his $2,000-plus stereo system.

Falkman and the other baby boomers are all dancing to the same drummer. There's little doubt the generation is tuned into the sight and sound products available in consumer electronics departments. One survey conducted by Belden Associates for CASS Student Advertising noted that 90% of all college students with stereos paid more than $250 for their sound machines while 22% shelled out $900 or more and 13% handed over $1,500 or more.

Compared to the rest of the population polled in the *CSA*/Leo Shapiro & Associates study, baby boomers are more actively shopping home stereos, personal portable stereos, car sound systems, video game machines and VCRs. The boomers also express substantially more interest in exercise equipment, barbecue grills, 35mm cameras, bicycles, men's cologne, K-D furniture and, not surprisingly, baby strollers.

The two electronics items that did not fare as well with the boomers were home computers and telephones. The generation also expresses less interest than nonbaby boomers in electronic bug killers, electric ceiling fans, air cleaners, sleeping bags and weed trimmers.

In soft lines, the Shapiro statistics point out the baby boomers are not the peacocks their costumes of the late 1960's would have indicated. Of the 11 apparel items tracked, boomers expressed more interest than nonbaby boomers in only six—jeans, athletic shoes, women's swimsuits, men's casual slacks, men's activewear and infants' sleepers.

Very interestingly, trendy sweat dressing appeals to baby boomers under the ages of 20 and 30 to 35. Surprisingly strong interest in this fashion line also appears among consumers between 35 and 44, a sign these shoppers are clinging to their youth.

Few market watchers will quibble with the *CSA*/Shapiro findings that baby boomers shop quality. Richard Hokenson of Donaldson, Lufkin & Jenrette believes the generation buys quality at the expense of volume.

"They tend to buy upscale and this is a result of their perception of value," he explains. "It's a function of buying Brooks Brothers suits or a suit at [private label-oriented] Bond's."

Mindie Zisser, a suburban Washington, D.C. consumer, notes, "I'd rather invest in classic looks which stay fashionable longer."

Hokenson credits this value equation for the squeeze on middle-of-the-road retailers with the schism at the Big 3 catalog chain level. "There are some consumers who shop discount stores because that's all they can afford," he says. "The pressure is on the middle where pricing structures are too high to reflect real savings, but not high enough—either price or perception-wise—to connote real quality."

Baby boomers are prime prospects

Products	-20	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	45-49	[illegible]	[illegible]	[illegible]	[illegible]
Home Computer	+	−	+	?	+	+	+	−	NM	−	−
Video Tape Recorder	NM	+	+	+	+	−	−	?	−	−	−
Video Game	−	?	?	+	+	+	?	−	−	−	−
Video Cartridge	+	+	?	?	+	+	−	?	−	−	−
Telephone	?	−	+	−	+	+	−	?	−	NM	−
Answering Machine	NM	+	?	+	−	−	?	+	?	−	−
Television	?	+	?	+	?	?	?	−	−	−	−
Home Stereo	−	+	+	+	?	−	−	−	?	−	−
Portable Stereo	+	+	?	?	−	+	+	?	−	NM	−
Car Stereo	+	+	−	?	?	?	−	?	−	−	−
Microwave Oven	+	−	?	+	+	+	?	?	−	−	−
Microwave Cookware	?	+	−	?	+	+	−	−	−	+	−
Food Processor	−	−	?	+	+	+	+	+	−	−	−
Coffeemaker	+	?	?	+	+	?	−	+	−	−	−
Popcorn Popper	+	?	?	+	+	?	?	−	?	−	−
35mm Camera	?	+	+	−	+	+	−	−	−	−	−
Instant Camera	+	+	−	?	+	−	+	−	?	−	−
Exercise Equipment	+	−	+	−	?	+	−	?	?	−	−
Sleeping Bag	−	?	?	+	−	+	−	?	−	−	−
Bicycle	+	+	+	+	?	+	−	−	−	−	−
Bug Killer	−	−	−	?	?	−	?	+	−	+	−
Portable Heater	−	+	?	+	?	?	−	+	?	−	−
Barbecue Grills	+	+	?	+	−	?	−	?	−	?	−
Power Lawn Mower	?	−	+	?	+	−	+	−	?	−	−
Ceiling Fan	+	?	−	−	+	+	−	−	−	−	+
Elec. Air Cleaner	−	−	−	+	+	−	+	+	−	?	−
Weed Trimmer	?	−	−	+	−	?	+	+	−	−	−
File Cabinet	−	?	+	+	?	+	+	+	−	−	−
Typewriter	−	?	?	+	−	+	+	?	−	−	−
Moisturizing Lotion	?	+	+	?	+	−	−	?	−	−	−
Men's Cologne	−	+	+	+	?	?	?	?	−	?	−
Sewing Patterns	−	?	?	?	+	+	−	−	−	−	−
Craft Kits	?	?	?	+	+	?	?	?	−	?	−
Table Linen	?	?	?	?	?	+	+	?	?	−	−
Knockdown Furniture	+	+	+	+	?	+	−	−	−	−	−
Baby Stroller	NM	+	+	+	?	−	−	−	−	−	−
Luggage	−	+	−	+	?	?	?	−	?	−	−
Jeans (all)	+	+	+	+	+	−	?	?	−	−	−
Jeans (women)	+	+	+	+	+	?	?	?	−	−	−
Jeans (men)	−	+	+	+	+	+	?	−	−	−	−
Athletic shoes (all)	+	+	+	+	+	+	?	−	−	−	−
Athletic shoes (women)	+	+	+	?	?	+	?	−	NM	−	−
Athletic shoes (men)	NM	+	?	+	+	+	?	−	−	−	NM
Swimsuit (women)	+	+	−	?	+	+	−	−	−	−	−
Blazer (women)	−	+	?	?	?	+	+	+	−	−	−
Sweat Dress	+	?	?	+	+	+	−	−	−	−	−
Teddy	NM	+	−	?	+	+	−	−	−	−	−
Dress Shirt	−	−	?	+	+	+	?	−	?	−	−
Casual Slacks	−	+	+	+	−	+	−	−	−	−	−
Active Wear	+	+	?	+	−	−	−	?	−	−	−
Infants' Wear	NM	+	−	+	−	−	+	?	−	NM	−

+ Favorable buying intentions ? Moderate buying intentions − Low buying intentions

NM = Not mentioned

Source: *CSA*/Leo J. Shapiro & Associates

Tom Murnane of Management Horizons argues that discounters upgrading their mix to bolster margins and layer on new customers may be trading themselves right into this chasm. Conceding that most market watchers disagree, Murnane warns price-edge competitors will move into the void opened when discounters trade up.

But nearly all market analysts applaud Penney's upgrading. "They may have claimed they didn't step up prices," says one retail watcher, "but they did. And it was the right thing to do. They repositioned themselves out of this squeeze on the middle market."

Penney, in fact, turned up as the only catalog chain baby boomers reported they were more likely to shop than nonbaby boomers, according to the Shapiro data. And this figure stands out because the statistics indicate few differences between where boomers and nonboomers like to shop.

Contradictions in where boomers buy

Baby boomers or nonbaby boomers—it makes little difference when consumers select a store to shop for hard lines. And what differences turn up in the *CSA*/Leo Shapiro survey appear to be subtle contradictions.

Slightly fewer baby boomers head for discounters (14.7%) than the rest of the population (15.3%), for example, but more boomers shop K mart (6.2%) than nonboomers (4.1%). A few more boomers step up their price expectations and head for the Big 3 catalog chains but, in deference to their hard-pressed financial status, fewer boomers opt for department stores.

And contrary to popular thinking that baby boomers prefer specialists, slightly fewer of the generation (13.3%) shop the tight assortment stores than nonboomers (13.5%), with one exception. By nearly a 2-to-1 margin, the largest spread differentiating the boomers and nonboomers, the "tuned-in" generation shops specialists for their consumer electronics.

For soft lines, the shopping patterns of baby boomers and nonbaby boomers are only a tad more magnified. Fashion apparel—women's swimsuits, women's blazers, sweat dressing and teddies—is shopped at department stores first by all consumers.

Nonbaby boomers are nearly three times as likely to go to the Big 3 catalog chains, 14.8% vs. 5.7%, for fashion lines.

Men's apparel shapes up as price sensitive for the baby boomers although the generation appears unwilling to downgrade its perception of quality by shopping discounters. For while more than a fifth of the nonbaby boomers opt for full-line and apparel-oriented department stores for dress shirts, for example, boomers head for the Big 3.

What separates the shopping patterns of the baby boomers and nonbaby boomers most, perhaps, is the boom generation's tendency to buy at the first store they shop for hard lines *and* apparel. For example, when asked where they browse women's swimsuits, half of the baby boomers and 41.6% of the non-

Tuned in, tune out nonstore shopping

☐ About the only people snubbing the idea that nonstore video retailing and the baby boomers are a match made in their developing years are those boob tube bred boomers themselves. And they criticize the medium for not very practical reasons.

"Video shopping's an interesting concept," concedes Seattle's Margaret Hadlock, a devoted catalog customer, "but I'd be concerned about distortion in the color and fabric of the apparel."

Baby boomers, who flocked to suburban shopping malls as social centers in their teens, are now juggling careers, marriages and families. Only 3% polled by Louis Harris for *House & Garden* magazine last year would like more time for shopping. And yet, they appear less than enamored with the time-saving alternatives.

The Harris poll found that at-home buying is a priority among only 20% of the baby boomers while in-store shopping gets top billing from 77%.

A Management Horizons study points out that baby boomers may be an even *less* likely target for nonstore retailers. Asked about their shopping preferences, only 3% of the baby boomers mentioned nonstore retailing while 5% of the nonbaby boomers cited alternatives.

The *CSA*/Leo Shapiro survey shows little difference between baby boomers and the rest of the population regarding their attitudes toward at-home buying. Some 1.5% of the baby boomers would shop the 37 hard lines products tracked via the mail while 1.1% of the nonbaby boomers would.

Electronic video shopping as currently envisioned (ordering through a terminal with home delivery to follow) faces an even steeper hurdle than catalogs. With 72% of all childless baby boom couples and 66% of all baby boom couples with children being two-income households, the convenience of home delivery proves to be a less appealing carrot.

The prospects for electronic shopping really boil down to the question posed at October's Association of General Merchandise Chains Convention in Phoenix by Dr. William Davison, chairman of Management Horizons. "The issue is," he noted, "is it a shopping or purchasing medium?"

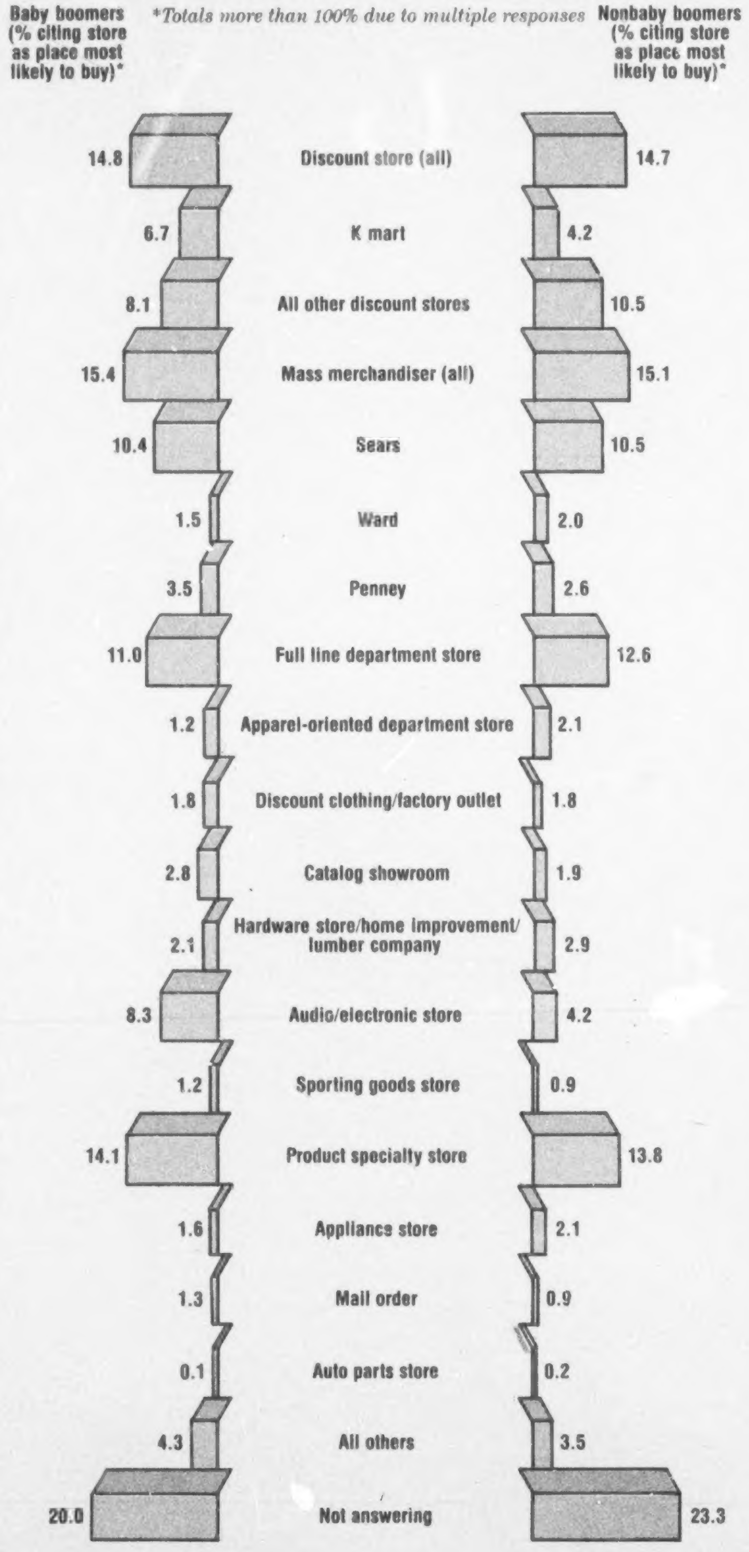
The differentiation is important, Davison contends, because many of video's capabilities—as a comparison shopping vehicle, for example—stop short of a buy.

And there's little doubt that baby boomers wade through product data before they even venture to the store. George Rosenbaum, pres. of Leo Shapiro & Associates, explains that this presold facet of the generation's shopping habits is a prime reason baby boomers tend to shop around less than the rest of the population—purchasing at the first store they shop.

So electronic marketing could have a bright future as an alternative source of information, much like many consumers currently utilize catalogs.

Barbara and Harold Sambol of Lakewood, N.J., for example, enjoy browsing through catalogs but only, they emphasize, for suggestions. "When you consider all of the hassles of returning items and getting your money back," Barbara says, "it's easier to go to a store, pick out the product and buy it. Pictures don't tell the whole story." ☐

Store selection differs, but just barely



Source: *CSA*/Leo Shapiro & Associates

boomers start looking at department stores. Asked where they're most likely to buy, the boomers stayed with the keystone pricers while the department stores' share of the nonbaby boomer market eroded to only 38.5%.

Why do consumers select the stores they shop? Price/discount ranks tops with baby boomers and nonbaby boomers, alike. Differences pop up in the second reasons.

For hardlines, boomers tend to be more quality oriented. They cite quality as a reason for store selection nearly twice as often as nonbaby boomers and the boomers are willing to pay more for quality.

Quality is also a prime concern for *all* consumers when they shop apparel. The time-pressed boomers, however, are more likely to select a store that is conveniently located or where they have a charge card. Nonbaby boomers are more store loyal, citing satisfaction with past purchases more often.

What's quite obvious is that baby boomers are not committed to the fashion-first department stores. In fact, the "time poor" boomers have been some of the loudest beefers criticizing the breadth of assortments offered by the keystone pricers and the all-to-often confusing environment boutiquing creates. It's interesting to note that when asked why they choose a particular store, selection turns up in second place (trailing price) only once—for men's apparel, which the baby boomers shop at the Big 3.

According to Kate Murphy of Space Inc., the store design consultants, retailers don't have to make stores easy to shop; they have to make the merchandise easy to buy. Since the shopping decision is often made outside the store, especially for the presold baby boomers, the key to boosting productivity is to layer on impulse sales.

The best way to achieve this end is through crossmerchandising. Too often, however, merchants coordinate outfits, but neglect to "coordinate" departments. Woolworth's Allan Pennington stresses the retailer must make sure the matching scarf, for example, is readily accessible for the customer who likes the way the item looks with the blouse she plans to buy. ☐

Shoppers more certain in '83

Stronger preferences shown for specific stores and brands

Troubled by the economy, consumers are reining in their spending. But when they do venture out with their shopping lists in hand, they are far more certain than last year as to which store they will visit and which brand they will buy.

A measure of the public's penchant for greater decisiveness in buying decisions comes from a comparison of 17 identical items studied in 1982 and 1981 for *Chain Store Age*'s Consumer Buying Intentions Study. For 15 of the items, more shoppers told *CSA*/Leo Shapiro & Assoc. researchers that they had specific stores in mind before going out to shop. For 13 items, more shoppers expressed specific brand loyalty.

Overall, in last year's study, 21 of 34 products evoked no store preference from at least 40% of those surveyed. This year, all 37 hard lines products passed the 40% mark. Moreover, 30 products racked up at least 70% store preference mentions.

Last year, 23 of 34 products failed to win a brand preference from at least 40% of the public. This year, a comparable 24 of 37 products fell into that predicament, an indication that the consumer is more interested in matching a store with a wide selection than in picking a brand and then searching out a store that carries it.

The most dramatic shifts in store and brand preferences showed up for microwave ovens, telephone answering machines and 35mm cameras. Each added at least 25% to its tally of last year for store preference. Microwave ovens added 25% in the brand preference column, while the other two achieved 18% additions.

Video game machines and instant developing cameras came in with greater store uncertainty figures. In the case of video game machines, though, the consumer appears to be highly brand conscious and willing to wait for a sale in any of the numerous outlets that carry them.

Instant developing cameras also had less customer loyalty than a year ago, but the changes are insignificant, a sign that Polaroid and Kodak have won widespread market identification.

These findings and more are part of *CSA*'s Second Consumer Buying Intentions Study. The study gauged the public's *readiness to buy, not sales projections* for some 50 hard lines and soft lines products. A national projectable sample of 2,717 households, supplemented by interviews with another 6,200 households in 45 metropolitan areas provided answers in the following areas: demographic profile of shoppers by product, share of market by store for purchases made in '82 and contemplated for '83, reasons for shopping a store, expectations of price to be paid, how active shoppers have been in following through on their purchase plans, brand preference and how sensitive buying plans are to economic dislocation.

Picking winners tricky business

Forecasting is tricky: the experience of a year ago bears that out. Of the 17 similar items tracked, *CSA* came within 20% of predicting sales. Those items included microwave ovens (5% projected vs. 5.5% actual) electronic bug killers (2% vs. 2.3%), home computers (1.4% vs. 1.2%), telephone answering machines (1.6% vs. 1.5%) and 35mm cameras (5.1% vs. 6%). In all, a respectable 0.294 batting average.

Outside, unforeseen factors affected other products. A harsh, cold winter aided heater sales (1.5% vs. 7.4% actual) while telephone deregulation accelerated sales (2.3%

More store/brand preferences

No Store Preference*		Item	No Brand Preference*	
'82 %	'81 %		'82 %	'81 %
[illegible]	38.2	Home computer	31.9	45.1
37.0	57.7	Video tape recorder	39.6	54.4
30.5	18.6	Video game machine	22.9	29.5
20.0	N.S.	Video game cartridge	17.7	N.S.
20.4	40.9	Telephone	42.0	38.8
32.9	58.3	Phone answering machine	44.1	62.9
32.4	N.S.	TV	26.3	N.S.
18.4	N.S.	Home stereo equipment	26.2	N.S.
15.4	N.S.	Personal portable stereo	27.0	N.S.
17.8	N.S.	Car stereo equipment	25.2	N.S.
29.2	56.0	Microwave oven	33.0	58.6
18.7	N.S.	Microwave cookware	30.0	N.S.
22.0	29.7	Food processor	31.3	25.8
13.4	N.S.	Electric coffeemaker	25.9	N.S.
17.7	N.S.	Popcorn popper	36.7	N.S.
23.0	49.0	35mm camera	21.9	39.7
28.0	26.1	Instant developing camera	29.3	25.1
21.3	46.2	Home exercise equipment	60.9	56.7
15.0	N.S.	Sleeping bag	43.3	N.S.
15.9	31.3	Bicycle	34.9	36.2
22.7	42.9	Electronic bug killer	54.8	58.3
26.3	43.2	Portable heater	40.3	49.9
31.9	45.8	Barbecue grill	46.0	56.9
22.4	N.S.	Power lawn mower	34.6	N.S.
31.8	49.5	Electric ceiling fan	51.2	59.2
18.4	N.S.	Electric air cleaner	29.8	N.S.
17.8	N.S.	Electric grass or weed trimmer	34.1	N.S.
25.3	40.2	Steel file cabinet	61.4	55.0
23.5	N.S.	Typewriter	27.5	N.S.
29.8	N.S.	Moisturizing lotion	38.3	N.S.
25.6	N.S.	Cologne (men's)	29.0	N.S.
14.0	N.S.	Sewing patterns	18.7	N.S.
19.5	N.S.	Craft kits	50.1	N.S.
16.4	N.S.	Table linens	57.1	N.S.
25.7	N.S.	K-D furniture	56.8	N.S.
14.3	N.S.	Baby stroller	45.6	N.S.
24.3	49.9	Luggage	37.6	51.1

**% consumers without preference*
N.S. Not Studied
Source: *CSA*/Leo J. Shapiro & Associates

High Economic Vulnerability

All Households Past Purchases '82/ Might Buy '83	Instant Camera		Knockdown Furniture		Microwave Oven		Video Game Machine		Personal Portable Stereo		35mm Camera		Car Stereo Equipment		Home Computer	
	'82	'83	'82	'83	'82	'83	'82	'83	'82	'83	'82	'83	'82	'83	'82	'83
	6.3%	2.0%	2.4%	1.4%	5.5%	4.1%	6.7%	5.3%	4.2%	2.0%	6.8%	3.1%	6.8%	3.2%	1.2%	2.2%
K mart	15.6	13.4	10.3	10.0	0.9	1.0	9.8	10.5	4.8	0.0	3.8	8.0	2.9	3.7	11.0	3.5
Other Discounters	24.6	21.0	19.6	16.1	6.3	7.7	18.7	21.8	19.6	12.7	19.5	11.1	8.1	1.7	8.9	1.6
Sears	3.1	11.5	7.5	14.7	23.5	24.5	15.4	14.3	3.7	2.8	1.9	2.6	3.3	2.5	4.1	4.4
Ward	1.3	0.0	2.8	3.8	10.4	6.3	1.2	1.4	2.1	0.0	0.0	2.4	1.0	0.5	1.4	0.0
Penney	2.2	0.0	4.7	0.0	4.1	4.5	6.5	2.6	3.7	6.2	2.5	0.0	1.4	1.1	3.4	1.2
Dept. Store	16.1	11.5	16.8	16.5	12.7	19.0	17.1	16.3	20.6	9.7	13.2	16.3	5.2	2.1	7.5	5.4
Catalog Showroom	4.5	1.5	0.9	0.7	1.4	0.6	8.1	5.2	6.9	6.2	5.7	3.5	3.3	4.1	5.5	3.8
Specialty Store	13.4	25.3	19.6	22.3	29.9	24.5	13.8	22.4	26.5	46.0	44.0	34.9	59.1	70.5	47.2	73.1
All Others	19.2	15.8	17.3	15.9	10.8	11.9	9.4	5.5	12.1	16.4	9.4	21.2	15.7	13.8	11.0	7.0

Source: CSA/Leo J. Shapiro & Associates

vs. 6.6%). Continued strong product growth stimulated ceiling fan (3.9% vs. 6.2%) and exercise equipment (2.6% vs. 6.1%) sales.

For '83, the winners appear to be home computers, video game machines, telephones, space heaters and steel file cabinets. Each of these products registered higher interest in '82 *might buy* mentions than in '81. More importantly, the percentage of *active shoppers*, defined as those who have gone beyond the "wish" stage and have actually begun the shopping experience, came out higher in '82 for all five products.

Microwave ovens and telephone answering machines also garnered a higher percentage of active shoppers than a year ago, while ceiling fans had more people expressing an interest in them than in '81.

As a guideline, products with buying interest for '83 of at least half of the actual '82 purchase incidence represented viable growth areas. Only home computers and video tape recorders exceeded past purchases with buyer expectations. Fifteen others, ranging from sleeping bags to home stereo equipment, could be classified as real opportunities.

Sears, K mart set for better '83

The general pattern of store market shares for actual purchases showed little change year to year. Catalog showrooms improved for 12 of 16 identical products tracked in '82 and '81. Montgomery Ward came through with a surprising nine superior mentions, a level equaled by Other Discounters. K mart tied with Sears at eight improvements. Department stores had but seven higher marks in '82.

Sears and K mart should enter 1983 with opportunities to increase their market shares. When comparing past purchases to store buying intentions, the data show Sears ahead for 24 of 37 products with two ties. K mart came out ahead 23 times. Other Discounters had 15 pluses, department stores 14, catalog showrooms 12 and Ward 11.

Some of the specific changes from '82-'81 merit attention. Microwave ovens and exercise equipment are

Purchase patterns

The three-tiered charts on these pages depict purchase incidence/intentions and store market shares for 1982 and 1983. For example, 6.3% of the households polled bought an instant camera in '82. Without any advance motivation, such as promotions or sales, 2% of the survey sample said they would buy an instant camera in '83.

The charts also show the comparative product vulnerability to economic distress. Products are listed in descending order of vulnerability, reading left to right.

All Households Past Purchases '82/ Might Buy '83	Video Game Cartridge		Phone Answering Machine	
	'82	'83	'82	'83
	9.1%	3.9%	1.5%	1.3%
K mart	4.3	11.5	0.9	0.0
Other Discounters	18.6	18.2	4.3	10.3
Sears	14.0	13.0	2.6	11.1
Ward	0.0	0.0	1.7	2.6
Penney	4.8	1.2	0.9	0.0
Dept. Store	18.3	23.5	5.1	8.0
Catalog Showroom	4.8	8.3	9.4	1.6
Specialty Store	29.0	19.4	66.7	57.5
All Others	6.0	4.9	8.4	8.7

Source: CSA/Leo J. Shapiro & Associates

Low Economic Vulnerability

All Households Past Purchases '82/ Might Buy '83	Barbecue Grill		Electric Air Cleaner		Sleeping Bag		Popcorn Popper		Table Linens	
	'82	'83	'82	'83	'82	'83	'82	'83	'82	[illegible]
	9.9%	4.1%	2.8%	[illegible]	5.1%	2.8%	6.6%	1.4%	10.3%	[illegible]
K mart	10.9	11.2	6.8	6.3	3.4	20.1	9.8	13.1	4.6	[illegible]
Other Discounters	22.8	24.8	29.8	24.0	15.3	16.3	27.8	28.8	12.2	[illegible]
Sears	14.1	14.7	13.6	10.1	21.3	19.7	6.7	7.8	4.1	[illegible]
Ward	2.2	1.4	0.6	6.8	7.7	2.5	2.3	0.7	0.0	[illegible]
Penney	1.6	0.0	0.6	0.0	10.2	3.7	4.6	2.4	3.6	[illegible]
Dept. Store	14.7	18.7	13.0	24.3	8.9	11.8	24.7	17.1	59.7	[illegible]
Catalog Showroom	2.7	3.9	7.4	0.9	6.4	0.7	8.5	13.9	0.0	[illegible]
Specialty Store	7.1	4.9	3.7	11.5	17.8	15.9	2.3	0.0	8.7	[illegible]
All Others	23.9	20.4	24.7	16.1	9.0	9.3	13.3	16.2	7.1	[illegible]

Source: CSA/Leo J. Shapiro & Associates

High Economic Vulnerability

Home Exercise Equipment		Video Tape Recorder		Television		Bicycle		Home Stereo Equipment		Typewriter		Telephone		
'82	'83	'82	'83	'82	'83	'82	'83	'82	'83	'82	'83	'82	'83	
6.1%	1.6%	1.7%	2.5%	9.8%	3.7%	10.3%	4.2%	7.4%	4.1%	4.4%	1.7%	6.6%	2.5%	All Households Past Purchases '82/ Might Buy '83
5.2	7.4	1.9	2.8	5.1	8.6	3.7	11.4	1.2	0.8	2.8	1.4	1.3	0.9	K mart
17.7	12.7	9.8	5.1	9.7	9.5	11.1	11.9	12.6	5.1	16.1	8.7	3.5	6.2	Other Discounters
15.6	13.0	7.9	12.9	13.0	13.0	10.2	13.6	9.0	2.2	11.6	16.3	0.3	0.3	Sears
7.3	10.5	4.2	1.4	1.4	0.0	3.3	2.6	1.2	0.0	0.6	3.2	0.6	2.3	Ward
4.7	4.3	3.3	0.5	0.9	2.0	1.6	2.4	4.8	3.8	1.9	4.3	0.0	0.0	Penney
13.5	14.1	9.8	8.6	17.6	20.2	8.6	7.3	9.6	4.8	11.6	9.5	1.3	5.0	Dept. Store
3.1	2.3	4.2	5.6	0.9	0.9	2.5	3.3	3.0	3.8	10.3	3.7	2.8	1.4	Catalog Showroom
18.7	23.3	39.1	43.9	41.3	40.7	37.3	35.9	43.1	58.6	24.5	34.8	83.7	74.0	Specialty Store
14.2	12.4	19.8	19.4	10.1	6.0	21.7	11.4	15.5	16.9	20.8	18.1	6.5	9.9	All Others

Base: All who named a store

targeted by Sears for dominance. The $18 billion retailer backed up the promise in microwaves (23.5% in '82 vs. 16% in '81), but fell short in exercise (15.6% vs. 21.5%). Ward cashed in on its appliance heritage with an impressive improvement in microwaves (10.4% vs. 7.2%).

Ward also won kudos for its video tape recorder performance (4.2% vs. 0.3%), while K mart nosedived (1.7% vs. 7.4%).

Electronic bug killers showed their approaching market maturity with distribution that zipped into Other Discounters (15.7% vs. 1.1%) and catalog showrooms (7.8% vs. 0.0%). After knocking off the bugs, shoppers found time to buy more barbecue grills in Other Discounters (22.8% vs. 15.3%) and Sears (14.1% vs. 10.6%), but not in K mart (10.9% vs. 24.3%).

K mart, however, more than dou-

Moderate Economic Vulnerability

Luggage		Food Processor		Steel File Cabinet		Microwave Bakeware & Accessories		Electric Ceiling Fan		Power Lawn Mower		Electronic Bug Killer		Electric Grass or Weed Trimmer		
'82	'83	'82	'83	'82	'83	'82	'83	'82	'83	'82	'83	'82	'83	'82	'83	
8.2%	2.4%	5.6%	1.6%	2.8%	2.1%	6.3%	4.0%	6.2%	4.6%	6.2%	2.7%	2.3%	1.5%	5.8%	2.2%	All Households Past Purchases '82/ Might Buy '83
5.5	7.[illegible]	6.4	8.1	9.9	22.2	5.5	2.0	5.9	6.3	4.5	3.1	3.9	5.8	10.9	[illegible]2.0	K mart
16.1	15.8	19.7	20.6	17.6	10.5	21.1	17.2	13.4	9.3	15.5	4.7	15.7	11.2	17.4	19.7	Other Discounters
9.5	15.2	11.6	17.0	18.3	21.7	18.0	25.3	16.0	28.3	24.2	35.9	23.5	28.0	15.8	16.6	Sears
1.8	3.2	5.8	0.0	3.8	0.3	5.5	0.0	6.7	2.7	8.3	12.7	2.0	0.0	1.9	1.8	Ward
6.8	10.4	4.0	0.8	1.5	2.4	1.6	3.2	3.4	4.1	1.5	2.1	2.0	1.3	2.3	0.8	Penney
31.0	26.1	23.7	19.4	8.4	5.4	16.4	20.4	3.4	2.5	6.0	0.5	3.9	8.4	8.3	11.8	Dept. Store
6.9	6.0	11.6	9.6	3.1	3.8	3.9	3.7	1.7	5.0	1.5	1.4	7.8	1.9	4.5	3.8	Catalog Showroom
9.1	9.6	2.3	5.0	26.7	20.3	5.5	8.9	24.4	12.6	23.4	23.5	18.6	25.7	26.4	22.2	Specialty Store
11.3	5.0	14.9	19.5	10.7	13.4	22.5	19.3	25.1	29.2	15.1	16.1	22.6	16.7	12.5	11.3	All Others

Base: All who named a store

Low Economic Vulnerability

Craft Kits		Baby Stroller		Portable Heater		Electric Coffeemaker		Moisturizing Lotion		Men's Cologne		Sewing Patterns		
'82	'83	'82	'83	'82	'83	'82	'83	'82	'83	'82	'83	'82	'83	
15.6%	5.3%	3.5%	0.5%	7.4%	1.6%	9.7%	1.5%	33.4%	19.0%	30.5%	14.4%	15.3%	8.5%	All Households Past Purchases '82/ Might Buy '83
4.3	10.4	4.4	15.4	7.0	12.9	12.0	14.6	5.3	1.4	5.3	4.3	2.4	4.9	K mart
17.7	12.0	12.3	23.2	15.4	6.7	32.6	29.4	21.1	19.7	14.9	19.4	13.3	16.1	Other Discounters
0.6	0.0	12.3	5.4	15.1	21.0	6.0	8.8	0.0	1.3	1.1	0.0	1.2	4.6	Sears
1.8	0.0	1.8	7.6	1.7	1.6	2.1	1.5	0.0	0.0	1.1	0.0	0.0	0.0	Ward
1.8	0.0	6.1	9.6	1.3	2.7	1.8	2.5	0.0	0.0	0.5	0.0	4.8	2.0	Penney
12.2	12.8	21.1	12.8	11.7	6.8	20.4	13.8	18.2	14.4	39.9	30.6	10.8	8.0	Dept. Store
1.2	1.9	7.0	5.4	4.3	6.9	7.2	4.6	14.4	14.7	10.6	8.4	0.6	0.0	Catalog Showroom
48.8	54.7	28.1	2.4	7.4	7.5	5.1	10.7	2.4	3.6	0.5	2.5	63.9	62.2	Specialty Store
11.6	8.2	6.9	18.2	36.1	31.9	12.8	14.1	38.6	44.9	26.1	34.8	3.0	2.2	All Others

Base: All who named a store

Quality—satisfaction lag at discounters for hard lines

Reasons for shopping hard lines	Discount store	K mart	Other discounters	Big 3	Sears	Ward	Penney	Dept. store	Specialty store	Mail order	Factory outlet
Price	65.9%	62.4%	67.8%	21.0%	20.5%	23.9%	21.0%	37.0%	19.8%	53.7%	48.9%
Selection	6.6	7.4	6.2	6.7	6.7	3.2	9.9	15.4	19.4	6.8	4.9
Quality	3.8	3.3	4.1	17.9	19.6	10.4	15.7	8.2	11.2	12.3	5.3
Satisfaction	3.4	4.0	3.1	16.2	17.1	13.7	13.4	10.2	10.6	1.9	5.4
Location/ convenience	12.7	16.4	10.7	13.0	12.1	17.7	13.2	16.7	13.8	14.8	5.7
Credit access	0.2	—	0.3	9.6	7.6	14.3	16.0	3.8	0.6	0.8	—
Service/repair/ guarantee	1.0	1.1	0.9	6.5	6.5	11.2	1.9	2.8	5.2	2.7	—
Other	2.2	1.3	2.6	4.6	5.3	0.7	6.3	1.6	12.8	0.8	16.9
Not answering	4.2	4.1	4.3	4.5	4.6	4.9	2.6	4.3	6.6	6.2	12.9

Source: *CSA*/Leo Shapiro & Associates

bled its shares for telephones (1.3% vs. 0.6%) and ceiling fans (5.9% vs. 2.2%), and more than tripled it for food processors (6.4% vs. 1.9%). Meanwhile, department stores went down in fans (3.4% vs. 8.4%) and food processors (23.7% vs. 29.9%).

Department stores also suffered a loss in heaters (11.7% vs. 29.7%), while Sears generated a 50% jump (15.1% vs. 10%).

Instant cameras proved a boon to Other Discounters (24.6% vs. 17.1%) and department stores (16.1% vs. 11.7%), and a bane to Sears (3.1% vs. 8.3%) and Ward (1.3% vs. 3.1%).

Ward always has taken a strong stand in home/office stationery products and in '82 it paid off. Ward won six times more allegiance for steel file cabinets (3.8% vs. 0.6%) at the same time that catalog showrooms came out of obscurity (3.1% vs. 0.0%).

Quality and selection keys

K mart may call itself the "savings place," but consumers told *CSA*/Shapiro that prices are better at other discount stores. When asked for the No. 1 reason they shop hard lines at particular stores, consumers rated price 67.8% of the time for Other Discounters and just 62.4% for K mart.

In addition, K mart's competitors outpaced it in quality perception, 4.1% to 3.3%. However, the nation's most numerous discounter outscored other low-margin operators by more than 50% when it came to location/convenient, and had a comfortable edge in selection and satisfaction.

By far, consumers said price rated as the No. 1 reason they shopped discount stores for hard lines and even more so for apparel (see apparel chart p. 30).

The choice for other outlets was not as simple. Access to credit always has been a major sales tool of the Big 3. Sears often boasts of its 36 million credit card holders. But it ranked third behind J. C. Penney and Montgomery Ward in hard lines ratings. Ward's strong 14.3% mark underscores the problem faced by the Chicago-based merchant. Interest on customer receivables has crippled Ward's return on sales. It is interesting to note that credit access is the third most mentioned reason for shopping Ward.

Also noteworthy, Penney's credit access rated a second place mention. Hard lines house Sears scored much higher in price, quality, satisfaction and location/convenient than in credit access.

Quality and selection provide an example of point/counterpoint. In hard lines, the Big 3 attained higher marks for quality than did department stores, which, in turn, had a higher selection ranking.

For apparel, department stores scored higher for their quality than for selection. And consumers rated their quality just marginally greater than that of the Big 3 when saying why they chose a store. In fact, quality at clothing department stores came out poorer.

Inciting shoppers to buy apparel

The majority of consumers are in no hurry to buy apparel. In fact, most have cut back on clothing purchases this year as a result of the harsh economic climate.

This is just one of the conclusions drawn from the Consumer Buying Intentions Study conducted for *CSA* by Leo Shapiro & Associates.

Despite the fact that retailers have been more promotional in 1982 than in previous years, shoppers have put off buying apparel. Most cannot cite one item they would buy to take advantage of current prices.

As they see it, prices for all goods have increased in the past few months, inhibiting them from purchasing not only apparel but also major items. Indeed no one interviewed by Shapiro pollsters claimed it was a good time to make large purchases such as washing machines or cars. The prevailing attitude was one of wait and see.

Compounding the harsh apparel outlook is the fact that the overwhelming majority of shoppers are finding it more and more difficult to pay their bills. There does not seem to be enough money to cover household expenses, even though over 50% of the consumers say their incomes have increased over a year ago. What's more, consumers are not confident about it becoming any easier to foot their expenses. Again, a wide majority claim it's going to be more difficult to make

Consumers split over price/quality for apparel

Reasons for shopping soft lines	All discounters	K mart	Other disc.	Big 3	Sears	Ward	Penney	Full-line dept.	Cloth. dept. store*	Spec. stores	Off-pricer	Sporting goods store	Other
Price/discount	75.9	72.6	78.3	28.4	27.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Selection	5.4	4.2	7.0	14.4	15.9	13.3	12.5	21.9	20.6	29.4	3.8	37.8	22.2
Quality	1.9	2.8	6.6	20.9	17.6	12.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Satisfaction/service reputation	5.8	6.3	6.1	13.6	15.2	13.3	11.3	11.5	10.6	11.7	8.3	8.9	11.1
Convenient location	6.2	8.5	3.5	9.0	6.1	14.7	11.3	10.7	7.5	8.2	2.5	7.8	11.1
Husband/family works there	—	—	—	0.4	0.4	1.3	—	0.8	0.6	—	—	1.1	—
Credit access	0.4	—	0.9	1.7	1.4	5.3	0.6	4.3	1.2	—	5.0	—	11.1
Other/not answering	4.4	4.3	3.3	4.6	5.8	4.1	2.4	5.7	12.6	11.3	4.1	8.8	22.3

*Apparel-oriented department stores
Source: *CSA*/Leo Shapiro & Associates

Buying intentions strongest in Pacific/Mountain States

Product	New England	Mid-Atlantic	East North Central	West North Central	South Atlantic	East South Central	West South Central	Mountain	Pacific
Home computer	—	?	—	?	—	—	+	?	+
Video tape recorder	—	?	+[R]	+	?	—	—[R]	+	?
Video game machine	—	?	—	+[R]	?	?	+	—[R]	+
Video game cartridge	—	+	?	+	?	—	—	—	—
Telephone	—	?	—	+	+	—	—[R]	?	+
Phone answering machine	—	+[R]	—	—	—	—	+	+	+
Television	—	+	—	?	?	?	—	—	+
Home stereo equip.	—	?	?	+	—	—	—	+	+
Personal portable stereo	+	+	—	—	—	—	—	+	+
Car stereo equip.	—	?	—	+	?	—	+	?	+
Microwave oven	—[R]	?	—	?	—	+[R]	+	+	+
Microwave cookware	—	—	—	+	+	+	+	+	+
Food processor	?	—	?	?	?	—	+	—[R]	?
Electric coffee-maker	+	—	—	?	?	?	?	?	+
Popcorn popper	—	?	—	—	—	?	+	+	+
35mm camera	—	+	—	+	—	—	+	+	+
Instant developing camera	—[R]	?	—	?	—[R]	—	+	+[R]	?

+Favorable buying intentions ?Moderate buying intentions —Poor buying intentions

[R] Reversal from 1981 (either + to — or — to +)

New England: Me., N.H., Mass., Conn., R.I., Vt. *Mid-Atlantic:* N.Y., N.J., Pa. *East North Central:* Ohio, Wis., Mich., Ill., Ind. *West North Central:* Minn., Iowa, Mo., Kan., Neb., S.D., N.D. *South Atlantic:* Del., D.C., Va., W. Va., N.C., S.C., Ga., Fla. *East South Central:* Ky., Tenn., Ala., Miss., *West South Central:* Ark., La., Okla., Tex. *Mountain:* Mont., Idaho, Wyo., Colo., N.M., Ariz., Utah, Nev. *Pacific:* Wash., Ore., Calif., Alaska, Hawaii.

Source: *CSA*/Leo J. Shapiro & Associates

ends meet in the coming year, despite the fact that nearly 43% maintain their incomes will increase in 1983.

In light of this view, many apparel shoppers do not think the general economic picture will brighten next year. Almost 40% allowed that it would get worse, while 1 in 5 thought conditions would stay about the same.

Not surprisingly, women felt more unsure about the economy than men. And shoppers with families were even more dubious about the economy picking up.

Most consumers interviewed by Shapiro have not had their family or themselves hurt by layoffs. More than 70% have remained untouched by job loss. Next year, however, 37% see themselves or someone in their family being laid off or losing commissions or overtime.

Nonetheless, a glimmer of hope does exist in the Shapiro data. Almost half of the consumers are confident their financial worth will improve in 1983. About 38% said their financial position remained the same in 1982 as in 1981, with the remainder evenly divided between those who said it had worsened and those who said it had become better.

Projecting ahead to next year, nearly 43% claimed their financial position would be even better than in 1982. Only 18% saw their situation deteriorating, while the rest thought they would be in the same shape.

Reaching consumers: To reach these apparel consumers who can look toward the future with some optimism but who, in fact, face day-to-day hardships, retailers are going to have to offer priced-right goods. Obviously. But most consumers interviewed by Shapiro said they shopped department stores where quality to them was more important than price. It received top billing. As a result, retailers are going to have to walk a tightrope offering the best-priced merchandise at the best quality they can.

To do this, they must stock brands, be they store or name brands. While consumers interviewed by Shapiro may not be able to list brands for apparel items such as blazers or teddies, in stores they show a marked preference for this type of merchandise. Witness the proliferation of off-price stores. Many industry observers call these stores the "discounters" of the 80's. They marry price with quality.

Location important in buying

Having the right merchandise at the right price is only two-thirds of the retail equation. Having it at the right place—where the customer is—completes the transaction.

The charts measuring buying intentions by region provide a gauge of how easy it will be for retailers to find customers predisposed to buying each product. Measurements were rated against a norm; for those falling within the norm, a question mark signifies buyer ambivalence. Those favorably inclined to purchase an item are represented by plus signs. Items that evoked responses below the norm received a minus sign.

Thus, for home computers there are more than an average number of prospective customers in the Pacific and West South Central States. Fewer prospects are ready to buy in the East South Central, South Atlantic, East North Central and New England States. An average number can be found in the mid-Atlantic and West North Central States.

This is not to suggest that retailers will not be able to successfully move computers in volume in the average and below average states, or that those in above average states will just have to open their doors to close sales.

Rather, it means that retailers may have to coordinate their selling strategies to meet the different environments around the country. Informational promotions might be an acceptable tactic in California, whereas Massachusetts merchants might have to run price promotions.

Overall, the buying climate is strongest in the Pacific, Mountain and West North Central States, poorest in the New England, East North Central, South Atlantic and East South Central States.

Four changes occurred from last year: New England went from average to poor; mid-Atlantic from poor to average; West South Central from good to average and Mountain from average to good.

Product-wise, major shifts occurred in video games, instant cameras, bicycles and bug killers.

What's ahead

In the pages that follow, *CSA* takes a closer look at the products studied, department by department. ☐

Buying intentions strongest in Pacific/Mountain States

Product	New England	Mid-Atlantic	East North Central	West North Central	South Atlantic	East South Central	West South Central	Mountain	Pacific
Home exercise equip.	—	?	?	+	—	—	+	?	+[a]
Sleeping bag	—	+	?	?	?	—	—	+	+
Bicycle	—[a]	?	?	+	+	—[a]	—	+	?
Electronic bug killer	—	—	—	—[a]	+[a]	—	+	—[a]	+[a]
Portable heater	—	+	—	—	?	?	—	—	—[a]
Barbecue grill	—[a]	+	—	+	—	?	+	+	?
Power lawn mower	—	—	?	—	+	—	+	+	?
Electric ceiling fan	—	—	—	—[a]	+	+	+	+	—
Electric air cleaner	—	?	?	?	—	—	?	+	+
Electric grass & weed trimmer	—	—	—	+	—	+	—	?	+
Steel file cabinet	—[a]	—	—	+	?	—	—[a]	+	+
Typewriter	—	?	?	+	?	—	?	?	+
Moisturizing lotion	—	?	—	—	—	+	—	+	+
Cologne (Men's)	—	+	—	?	+	+	?	?	—
Sewing patterns	?	—	—	?	—	?	—	+	+
Craft kits	—	+	—	?	?	?	—	+	+
Table linens	—	?	—	+	—	?	—	+	+
K-D furniture	+	+	—	?	?	—	?	?	+
Baby stroller	—	—	—	+	+	+	?	—	?
Luggage	—	+	—	+	—	?	—	—	+

+ Favorable buying intentions ?Moderate buying intentions —Poor buying intentions

[a] *Reversal from 1981 (either + to — or — to +)*

New England: Me., N.H., Mass., Conn., R.I., Vt. *Mid-Atlantic:* N.Y., N.J., Pa. *East North Central:* Ohio, Wis., Mich., Ill., Ind. *West North Central:* Minn., Iowa, Mo., Kan., Neb., S.D., N.D. *South Atlantic:* Del., D.C., Va., W. Va., N.C., S.C., Ga., Fla. *East South Central:* Ky., Tenn., Ala., Miss., *West South Central:* Ark., La., Okla., Tex. *Mountain:* Mont., Idaho, Wyo., Colo., N.M., Ariz., Utah, Nev. *Pacific:* Wash., Ore., Calif., Alaska, Hawaii.

Source: *CSA*/Leo J. Shapiro & Associates

Bright color, decorative-look file cabinets attract baby boomers.

Boomers buying half of all files

The paperwork boom has caught up with the baby boom. The profusion of record-keeping requirements is forcing young households into the file cabinet market with a vengeance.

Although only 35.8% of respondents in this year's *CSA*/Leo Shapiro survey are under 35 years of age, they account for half of all recent purchasers and potential buyers of steel file cabinets.

Retailers say these young consumers are particularly susceptible to file cabinets in bright colors which complement their upbeat home decoration. This emphasis on the decorative aspect of file cabinets is backed up by the higher price expectation among potential purchasers. The median price quoted by those planning to buy a file cabinet in 1983 is $80, up from $73 this year.

Sears (21.7%) and K mart (22.2%) were most often mentioned as the likely place to shop for cabinets. Office products stores placed third with a 20.3% mention.

K mart last year had a mere 3.1% of mentions. It picked up share from other discounters and undecideds. But its actual purchase market share remained stable, 9.9% in '82 vs. 10% last year. ☐

File cabinets appeal to baby boomers and the more mature

Age	% of polling base	% who purchased or might buy	% difference
Under 20	2.0	1.5	−25.0
20-24	10.2	11.6	+13.7
25-29	12.6	24.3	+92.9
30-34	11.0	13.4	+21.8
35-39	10.6	9.7	− 8.5
40-44	8.0	10.6	+32.5
45-49	7.8	10.7	+37.2
50-54	6.7	9.5	+41.8
55-59	7.0	3.2	−54.3
60 and over	24.1	5.5	−77.2

Source: *CSA*/Leo Shapiro & Associates

Romance novels lure loyal core

Romance novels may have limited appeal, but readers are free-spending and loyal when it comes to the entertainment form.

Only 19% of the population in this year's *CSA*/Leo Shapiro Consumer Buying Intentions Study say they might buy a romance paperback in the coming year. But these readers expect to purchase an average of more than 21 books each in 1983, and 20.4% of purchasers say they bought more than 30 paperbacks this year.

These sales potential figures are even more impressive when taken in the context that most purchasers are cutting back on their standard of living and say they expect their financial situation to be only slightly better in 1983 compared to this year. While 48.7% of all respondents say they have cut back on their spending this year, 55.3% of prospective romance novel buyers have cut back.

Most purchasers of romance novels are women (89.2%) with average educational backgrounds (85% are high school graduates and 39.4% have had some college), yet they fall into lower social categories when it comes to both family income and occupation of the chief wage earner.

While romance novel purchasers outpace the national average of those with family incomes between $20,000 and $30,000 by nearly 25%, one-third more potential romance readers say their family income is below $15,000 compared to the national average.

Book stores rated highest as the outlet shopped for the books, but 2 in 5 romance paperbacks are purchased at supermarkets (23.8%) and discount or dept. stores. ☐

Romance readers buy far more books than others

Total paperbacks purchased in 1982

Number	Bought romance novels	Will not buy
1-2	6.1%	23.9%
3-4	8.2	17.2
5-9	20.4	17.8
10-19	26.5	21.5
20-29	16.3	12.3
30-39	8.2	1.2
40-49	2.0	1.8
50+	10.2	4.3
Mean number	23.5 books	13.6 books

Source: *CSA*/Leo Shapiro & Associates

Specialty stores rated highest among shoppers in the market for patterns.

A 'pattern' for saving money

Retailers stocking sewing patterns don't have to worry about their customers postponing pattern purchases. In fact, nearly 6 out of 10 (59%) of the shoppers who said they might buy patterns in the next year also reported that they actively shopped the lines within the last couple of months.

The *CSA*/Leo Shapiro & Associates study shows sewing patterns have a very low economic vulnerability rating; only 2 out of 10 people said they would delay making a purchase if they cut spending in the future. However, for consumers in the market for patterns, convenience/location (28.7%) and selection (16.6%) scored high on their list of reasons to shop a store.

Specialty stores, mentioned by 62.2% of the shoppers, were named most often as the store consumers are most likely to buy patterns next year followed by discount stores with a 21% share of the future market.

The popularity of the sewing pattern category spans a wide range of ages, incomes and occupations, suggesting that consumers view sewing—whether for themselves, their families or their homes—as a good way of cutting expenses. The study shows interest in sewing patterns is surprisingly strong at higher-income levels rather than in low-income households.

Of the consumers who reported they had either purchased a pattern in the last year or expected to make a purchase in the next 12 months, 59.1% were from households with incomes topping $20,000 per year. Just 35% of all households who had bought or were planning to buy a pattern reported incomes of $20,000 or below.

The consumer most likely to buy sewing patterns is between the ages of 35 and 39, with two children present in the household.

Regardless of their incomes, there is a definite price range that is acceptable to these consumers. More than two thirds of the respondents, 71.5%, said they expect to pay no more than $3 for a pattern. Some 45.7% said they would pay $2 and 21.9% named $3 as the price they would expect to pay for their investment. □

All income groups sew to save

Annual family income	Bought in past year/ might buy in coming year
Under $5,000	1.1%
$5,000-$10,000	5.0
$10,000-$15,000	8.2
$15,000-$20,000	19.6
$20,000-$30,000	31.8
$30,000-$40,000	9.9
Over $40,000	13.9
Not answering	10.5

Source: *CSA*/Leo Shapiro & Associates

Craft selection beckons shoppers

The key to capturing the craft kit customer isn't the number of advertised brands, nor the amount of specialized classes retailers feature nor even a low-ticket price. Retailers trying to dazzle these creative folks are going to have to do it with selection.

The *CSA*/Leo Shapiro & Associates study shows that of all the consumers who might buy a craft kit within the next year, nearly 3 out of 10 named selection as a major consideration when selecting the store they will shop. Only 15.6% mentioned price. Almost half, 48.8%, shopped a product specialty store for their crafts needs last year and 54.7% said a specialist would be most likely to get their crafts business next year.

Just over 4 in 10 crafts customers said they would not delay making a purchase if they cut spending in the future. If and when they do buy craft kits, most respondents named $6 to $7 as the price they expect to pay (15%) followed by $10 to $12 (13.4%) and $15 to $16 (10.8%). □

'Crafty' merchants stock assortments

Reasons to shop a store	Might buy in coming year
Selection	29.5%
Location/convenient	17.4
Price/discount	15.6
Satisfaction/past experience	3.8
Specialty	3.3
Quality	3.2
Husband/family works there	0.8
Not answering	26.4

Source: *CSA*/Leo Shapiro & Associates

Exercise gear feels the pinch

The boom in exercise equipment sales might be reaching the saturation point and signs are the market may level off within the next 12 months. The *CSA*/Leo Shapiro & Associates study indicates there is a marked decline in buying intention when comparing consumers who last year said they would buy (2.6%) to those intending to buy during the next year (1.6%). Sixteen per cent fewer consumers placed in the active shopping market.

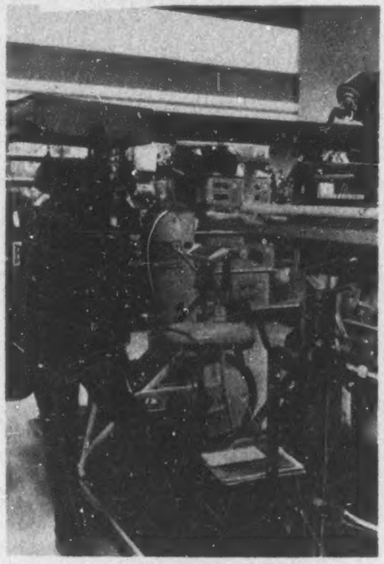
The difference in the number of consumers in the market for equipment suggests that the economic pinch is creeping up, impacting on consumers who earn $20,000 to $30,000 a year.

This becomes clearer when looking at the consumer most likely to be in the market for exercise equipment. Almost half, 42.2%, of the respondents are white-collar workers (professionals, managers and technicians). More than one-third, 40.2%, earn over $30,000 and 29.4% are college graduates.

Exercise equipment has become the recreational toy of the upper-income group. These high earners spend most of their time behind a desk and need a regular, accessible form of exercise.

It seems that looking fit and healthy rates highest with both those entering the work force and those who feel most vulnerable to the arrival on the job scene of the "young turks." Consumers between the ages of 20-24 and 40-44 were the likeliest target for equipment sales. The second most receptive target were shoppers between the ages of 25-29 followed by consumers 30-34.

Big earners or not, exercise equipment enthusiasts are conscious of costs. Over one quarter, 27.8%, named price as the No. 1 factor in selecting a particular store. Almost one third, 31.2%, expect to spend between $51 and $124 for their equipment. The Big 3 catalog chains were the stores mentioned most often as the place to shop exercise equipment in the coming year, holding the top ranking they snared this year among past purchasers. ☐



Exercise equipment is shaping up as the recreational toy of high earners.

Exercise equipment appeals to high incomers

Annual family income	Bought in past year/might buy in coming year
Under $5,000	1.2%
$5,000-$10,000	4.6
$10,000-$15,000	9.5
$15,000-$20,000	14.9
$20,000-$30,000	21.3
$30,000-$40,000	20.5
Over $40,000	19.7
Not answering	8.3

Source: *CSA*/Leo Shapiro & Associates

Cyclists slower to spend this year

Bike shoppers have a pessimistic outlook concerning the United States economy. Seventy per cent say this is not a good time to make a major purchase, 61.6% say they have already cut back on their clothing purchases and 72% say they would delay buying a bike if they curtail spending within the next 12 months.

It is not surprising, therefore, when comparing consumer readiness to buy last year vs. this year, the *CSA*/Leo Shapiro & Associates study shows a considerable decline in consumer interest. In 1981, 7.8% of the consumers polled said they might buy a bike in the coming year. This year, only 4.2% said they might buy in the next 12 months. Oddly enough, this downsized potential market appears even more intent on buying a bike than the shoppers were last year. In 1981, 32.9% of the might buy customers said they were actively shopping the market and this year, 38.1% reported they are actively shopping bikes.

Despite the high degree of awareness and activity there has been little change in what motivates shoppers to buy—price is still the main factor. About one-third of potential bike customers named price as why they would shop a store.

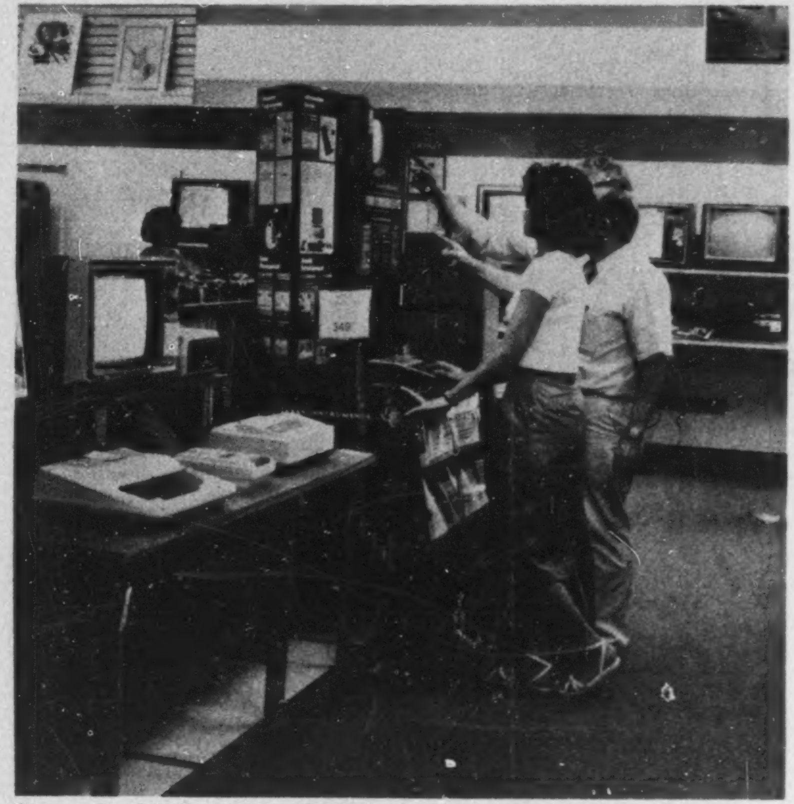
Specialty and discount stores were the preferred place to shop, but more consumers are seeking alternatives. Eight per cent said they would buy next year through private parties, garage sales or flea markets. Last year no one forecast they would do so. But in fact, 14.8% of those who last bought bikes did so in a nonstore environment.

Almost half of those polled say $51 to $124 is the price they expect to pay.

Like last year, brand indifference dominates. About one-fifth, 20.2%, of all consumers say they might buy private label with less than one-half, 44.8%, reporting they might buy an advertised brand.

It seems that the likely bike customer splits into two distinct camps. Of all who bought/might buy, 17.4% are 20 to 24 year olds. This group is probably using their bikes as a mode of transportation or a regular method of exercise. The second group is the 30 to 34 year olds, who represent 20.6% of the bought/might buy market. These bikers may be using bikes as a relatively low-ticket recreational activity with their families.

This becomes clearer when reviewing the statistics comparing the number of children present in the household. The two top scorers for bought/might buy were households with no children, at 31.9%, and families with two children present, at 27.5%. ☐



Steep price drop has triggered spectacular sales gains for home computers.

Computers tabbed for big gains

The steep drop in prices for home computers is prompting spectacular sales gains for the microchip marvels. Unit sales next year should come close to the three million mark, a 150% increase over 1982.

Industry insiders say the personal computer is a product whose time has come. But consumers are still hesitant about committing themselves to the purchase. Only 2.2% of those surveyed in this year's *CSA/* Leo Shapiro study say they are considering buying a computer for home use. While this is an exceptionally strong 57.1% increase over those who answered the same question in 1981, it leaves demand for computers in the bottom third of all consumer electronics products.

Consumers who are shopping for a computer, though, are serious in their efforts. Personal computers ranked third, after microwave ovens and telephone answering devices, as the hard lines product drawing the most active shoppers. Six out of 10 of those who might buy a computer in 1983 are already visiting stores and discussing the product.

General merchandise retailers say it still takes "about four visits to the store" before a consumer makes his purchase. "A computer is still a product that needs a lot of explanation," says a northern California department store buyer.

Computer shoppers are affluent and hopeful

Indicator	% of pop.	% of buyers	% diff.
Income:			
$20,000-$29,999	24.5%	25.1%	+ 2.4
$30,000-$39,999	11.2	16.9	+ 50.9
$40,000 & over	9.3	25.7	+176.3
Income increase in 1983 faster than inflation rate	6.8	23.7	+248.5
U.S. economy better in 1983	38.1	44.8	+ 17.6
Consumer goods prices to drop in 1983	9.8	18.2	+ 85.7

Source: *CSA*/Leo Shapiro & Associates

But this year's introduction of the Timex/Sinclair-1000 computer for $99.99 may change that. According to industry insiders, the low price point and the fact that it's being marketed under the Timex label will bring many more people who are willing to take a chance into the marketplace. This willingness to purchase a computer without extensive in-store education is reflected by the 3.8% of potential buyers who say they will shop at catalog showrooms.

While nearly 20% more customers say they will shop a specialist for a computer next year compared to those who purchased one there in 1982, one-third of all potential computer buyers have no idea of where they will go. GM chains were cited by 1 in 5 shoppers as the place they would most likely buy a computer. Aggressive chain merchandisers may be able to build their market share by keying in on the one-third of the consumers who are as yet undecided where they will shop computers.

Another factor suggesting improved GM market penetration is that more than half of those who might buy a computer in 1983 say they are more than willing to seriously consider a store brand computer.

While interest in computers among baby boomers matches their numbers in relation to the population, nearly twice as many respondents under 20 years of age say they bought or might buy a computer compared to their segment of the general survey population.

The largest group of potential computer purchasers is between 35 and 49 years old. This group makes up one-quarter of the survey population, but should account for more than half of all computer purchases in 1982 and 1983.

According to the study, the bulk of the potential computer purchasers are affluent, with incomes above $30,000, and are college graduates with families of four or more children. But while most are optimistic that their own income and financial security will improve in 1983, they are no more optimistic about the outlook for the national economy. Of all survey respondents, 38.1% say the economy will get better next year. Among computer purchasers, 44.8% say the economic picture will improve. Last year, nearly half of all computer purchasers said the economy would improve, compared to 47.9% of the general public. ☐

Skyrocketing sales for video games

By the end of 1983, one-quarter of all American households will be plugged into video game machines. Retailers and manufacturers are looking forward to sales of at least six million units next year, about 20% ahead of 1982 figures.

While this growth rate is lower than that posted for the past two years, electronics merchandisers say there is no real slowdown in sight. "The cartridge games are probably the single strongest category in the consumer electronics department today," notes the dmm for a Los Angeles-based store. He predicts that there will be a video game in half the homes in the country by 1985.

The optimism expressed by GMers is reflected in this year's *CSA*/Leo Shapiro & Associates study. More than twice as many survey respondents say they are planning on buying a video game in 1983 than said they would buy one in the 1981 study. Even more encouraging is the fact that 6.7% of respondents said they purchased a video game machine in 1982, a whopping 157.7% increase over those who said they would consider buying a unit this year. "It's really an impulse buy," notes a buyer for a Sunbelt discounter, "even though the price for the Atari 2600 is usually around $139 and Mattel's Intellivision is close to $250."

Discount stores were the most often cited outlet for a video game console purchase, with 32.3% of all respondents saying they would buy there in 1983. Mass merchants placed second with 18.3% of potential purchasers saying they would shop there. A surprising 3 in 10 shoppers say they are unsure of where they will buy a game machine, leaving a sizable segment of the market up for grabs.

Price dictates where shoppers will buy video game consoles in '83.

Price is the determining factor for which store consumers will choose next year. Of survey respondents who gave a reason for picking a store, 58.9% said low o[illegible]counted price.

The primary age group of shoppers for a video game cartridge is from 30 to 45, most of whom have two or more children. Those with family incomes above $20,000 are four times as likely to buy a console as those with lower incomes. ☐

Video games have family appeal

Number of children	% of survey base	% of game console buyers	% difference
0	59.2	21.6	− 63.5
1	16.4	19.4	+ 18.3
2	16.0	34.9	+ 118.1
3	5.7	17.3	+ 203.5
4 or more	2.7	6.8	+ 151.9

Source: *CSA*/Leo Shapiro & Associates

Video cartridge market exploding

Retailers willing to stock the widest selection of video game cartridges will reap the greatest share of sales in 1983, just as they did this year. In 1982, an estimated 70 million cartridges were sold with GMers picking up 65% of the nearly $1.6 billion in total sales.

"The play's the thing," says an industry insider. "If the software companies keep new and innovative games flowing into the stores, sales will stay high."

According to this year's *CSA*/Leo Shapiro poll, 3.9% of all consumers say they might buy a game cartridge in 1983. This number, though, appears low as 5.3% of consumers say they are in the market for a game console. Industry sources note that within the first three months of owning a game machine, consumers buy an additional three to five games.

Many retailers compare the cartridge business to razors and blades. Once the machine is installed, customers are constantly returning to pick up a new cartridge.

And they're looking for the best price available. Nearly 4 out of 10 survey respondents say they will shop a particular store for discounted prices for games. At the same time, a high 16.2% say selection is the No. 1 reason.

"Department stores are going to stay near the top of the heap for cartridges," says a Sunbelt department store dmm, "because we can afford to carry the broadest selection of software. Sure, a discounter will probably beat our sales for best sellers like Donkey Kong or Pac-Man. But with more than 300 titles available they just can't spend the inventory dollars on a game that sells steadily, but not spectacularly, and we can."

Only specialty stores scored higher than department stores among shoppers who say that selection is the reason to shop a particular store. And while the 13.3% of consumers who cited department stores because of selection was 1.9% fewer than those who chose a specialty store for selection, it was almost two-and-a-half times the rating for either discount stores or mass merchandisers. Overall, 23.5% of those planning a purchase would buy in a department store.

Families with older children buying video cartridges

Age of children	% of survey base*	% of cartridge buyers*	% difference
Under 3	23.8	18.8	−21.0
3-5	28.0	18.8	−32.9
6-11	47.5	51.8	+ 9.0
12-17	48.2	59.8	+24.1

**Totals equal more than 100% due to families with more than one child.*
Source: *CSA*/Leo Shapiro & Associates

Young baby boomers, those under 25 years of age, are a prime target for retailers. Parents, clearly buying for their children, also form a very strong potential market for the games. More than a third of video game customers are aged 35-44 years old, even though they make up only 18.2% of all survey respondents. ☐

Telephone market splits in two

Consumers are getting serious about their plans to purchase telephones in the year ahead.

This year's *CSA*/Leo Shapiro & Associates Consumer Buying Intentions Study finds more than half of the customers who are considering a telephone purchase to be actively shopping the item, up from 32.5% in 1981.

Retailers say the surge in shopper traffic and sales is being prompted by a growing awareness among consumers of the advantages of telephone ownership. One industry observer notes that the inclusion of rental charges in monthly telephone statements as a separate item is having a particularly strong effect on demand for non-Bell equipment. "Customers can compare the cost of buying an instrument from the phone company with the prices for other available models," he says.

At the same time, a flood of television advertising for cordless units, like Uniden's featuring Jack Nicklaus, is boosting sales faster than any other subcategory.

"The market is splitting into two tiers now," says a Midwestern department store dmm. "People are either going for a very basic unit, or they're looking at cordless models."

According to the Shapiro data, nearly half of all potential purchasers say they expect to spend less than $50 for a telephone and 18.2% say they will pay less than $30. These are tremendous increases over 1981 perceptions of price. Last year only 3.8% of all shoppers said they would spend under $30 and 6 out of 10 said they expected to spend between $50 and $150 for a telephone.

At the high end demand has nearly doubled from 1981 to this year, with 4.4% of all shoppers saying they expected to spend more than $200 for a telephone. This segment of potential telephone purchasers should grow even faster as prices continue to drift downward for top-end cordless telephones.

While 14% of all consumers say now is a good time to make a major purchase to avoid rising prices, two-thirds note that a telephone purchase would be delayed if they cut back on their spending. This delay may be negated by Federally mandated personal telephone ownership slated for next year.

GTE TELEPHONE CENTER

Heavy advertising and high rental costs have spurred sales increase.

Telephone shoppers favor prices under $50

Price	% of potential buyers who plan to pay
Under $50	39.7%
50-99	19.8
100-124	8.0
125-149	5.1
150-199	2.8
200-299	2.5
More than $299	1.2
Not answering	20.9

Source: *CSA*/Leo Shapiro & Associates

Even though most consumers say they would delay buying a telephone if they cut back on their spending, potential purchasers are slightly more secure in their jobs compared to shoppers for other products studied. More than three-quarters of phone shoppers say family members will not face employment problems in 1983 compared to 61.8% of all respondents.

Telephones appear to be especially attractive to singles and very large families. While these two groups account for more than 30% of telephone customers, they make up less than 20% of the households in the country. Singles alone account for one-quarter of those who purchased or plan to buy their own phone. ☐

Appeal expands for phone answerers

Once strictly a business tool, the telephone answering machine is gaining in acceptance for home use. And no longer do the devices appeal solely to singles and two-person households. The biggest demand is coming from large families.

While 13.1% of respondents in this year's *CSA*/Leo Shapiro Consumer Buying Intentions Study say there are five or more members in their family, they make up 20.4% of those who bought or plan to buy a telephone answerer.

Although slightly fewer people say they might buy an answerer in 1983 than said they would buy one this year, those who are considering the purchase are very serious in their shopping. Six out of 10 potential buyers have already shopped for the item. A year ago, only one-third said they were active shoppers.

More than half of those who are considering the purchase say they will probably go to either a telephone specialty store or an electronics store, while 33.8% say they will shop a general merchandise chain. In 1982, though, only 24.9% of those who bought an answering machine went to a chain.

Sources at department stores and mass merchandisers agree that they are seeing increased traffic for the answerers, and attribute it to increased consumer understanding of the product. "They know what they want," says a source at J. C. Penney, "and now they're shopping for price."

Demand for answering machines grows with education

Highest grade completed	% of polling base	% who bought or might buy	% diff.
8th grade or less	9.5	0.0	—
9-11th grade	9.4	2.0	– 78.7
H.S. graduate	37.6	18.6	– 50.5
Some college	22.8	30.8	+ 35.1
College graduate	13.8	26.0	+ 88.4
Post graduate	6.9	22.6	+227.5

Source: *CSA*/Leo Shapiro & Associates

When asked why they would shop a particular store, 28.4% of potential purchasers say low price is most important. At the same time, 24.8% say convenient location is the reason. This emphasis on location is the highest of any hard lines product.

While retailers say tumbling prices are opening up the answering machine market, consumers expect to pay considerably more for a unit in 1983 compared to this year. Potential purchasers cited prices ranging up to $799 for a unit with a mean expectation of $219, a 48.0% increase over last year's mean price of $148. ☐

On-the-go boomers want stereo to go

No product so perfectly matches the lifestyle of the baby boom generation as the personal portable stereo music system. For these "children of the electronic age," the go-anywhere headphone sets quench their thirst for music without offending older Americans the way portable radios and cassette players once did.

While 35.8% of respondents in the *CSA*/Leo Shapiro consumer study were younger than 35 years old, they make up just shy of half of those who bought or might buy a personal portable stereo.

Retailers claim the personal portables will become even more popular as prices reach mass market levels. A Sears spokesman notes that prices will probably bottom out early next year.

Because the mini-stereo units are evolutionary in design, most consumers have a good understanding of them and are very accurate in their price expectations. Only 16.9% of those shopping for a unit have no idea of what a unit should cost. Of those who cited a dollar figure, 54.9% say they expect to pay less than $100. According to retailers, more than 90% of their business is now being done under $100, with the majority of sales coming from stereo radio-only models priced between $29.95 and $49.95.

Because price is mentioned by 44.7% of the potential purchasers as the reason they would choose a particular store to shop, general merchandise chains should pick up the bulk of sales in 1983. Although only 37.6% of shoppers say they plan on shopping a GMer, compared to 46.0% who will shop electronics specialists, 6 out of 10 who actually bought a unit this year picked a general merchandise store.

Personal portable stereo sales concentrated in the East and West

	% of pop.	% of purchasers	% difference
New England	6.4	7.8	+ 21.9
Middle Atlantic	16.5	24.4	+ 47.9
East North Central	23.0	17.9	– 22.2
West North Central	4.0	3.3	– 17.5
South Atlantic	13.4	7.4	– 44.8
East South Central	10.7	5.4	– 49.5
West South Central	8.1	4.8	– 40.7
Mountain	5.6	12.3	+119.6
Pacific	12.3	16.7	+ 35.8

Source: *CSA*/Leo Shapiro & Associates

Name brand recognition is exceptionally strong for personal portables. In fact, Walkman, Sony's name for the first personal portable unit ever marketed, has virtually become a generic term. Even so, 7 out of 10 potential purchasers say they would consider buying a private label model.

Demand for the personal portables is highest in the Northeast and the West, but interest is growing in the rest of the country. Only in the Deep South do potential shoppers drop to half their proportion of the population. ☐

Recession slows VCR sales, for now

Sales of video cassette recorders may have slowed this recessionary year, but they still set the pace for electronics retailers.

More than 1.6 million units were sold, compared to approximately 1.2 million last year. Currently, more than 5% of American households have a VCR hooked up to their televisions. Industry sources estimate this penetration will reach between 7% and 10% by the end of 1983. Already, retailers are talking about a saturated market by the end of 1986.

Only 2.5% of respondents in this year's *CSA*/Leo Shapiro study say they plan on purchasing a VCR in 1983, a 22% decline compared to the 3.2% who said they might buy in the 1981 survey.

Despite this apparent drop-off in demand, the national economy may be the determining factor in actual sales next year. "If the economy turns around and consumers feel more secure, they'll start shopping again," notes a West Coast electronics buyer. "They've got the money, they just need some encouraging sign."

VCR shoppers appear far more optimistic about their own financial situation in 1983 than they did a year ago. In the 1981 survey, only 26.5% more potential VCR purchasers said their income would outpace inflation compared to the general public. This year, three times as many potential buyers say their paychecks will beat inflation.

Even though they are optimistic, should consumers cut back on their spending in 1983, a VCR would be an easily postponed purchase. Two-thirds of potential buyers would delay their purchase and only a quarter would not.

While shoppers have a very good idea of what they can expect to pay for a VCR (three-quarters of potential purchasers mentioned a price), they're unsure of where they will shop. More than a third of potential purchasers say they have no idea where they will buy a VCR, the highest number of "don't know" shoppers for any hard line product studied by Shapiro. ☐

VCR buyers more optimistic about economy than a year ago

	1981			1982			
Indicator	% of polling base	% of VCR buyers	% diff.	% of polling base	% of VCR buyers	% diff.	% change 1981-82
Income to increase	55.2%	66.2%	+19.9%	43.4%	65.3%	+50.5%	+160.2%
Easier to pay bills this year	20.9	33.9	+62.2	18.0	28.1	+56.1	− 9.8
Not cut back on standard of living	53.0	67.4	+27.2	49.6	59.2	+19.4	− 28.7
Good time for major purchase	29.2	41.0	+40.4	27.1	45.8	+69.0	+ 70.8
U.S. economy better next year	47.9	59.9	+25.1	38.1	58.3	+53.0	+111.2

Source: *CSA*/Leo Shapiro & Associates

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TV market stays strong and steady

Despite the fact that two television sets have been produced and sold for every household in America in the last 10 years alone, unit sales continue steady at more than 15 million annually.

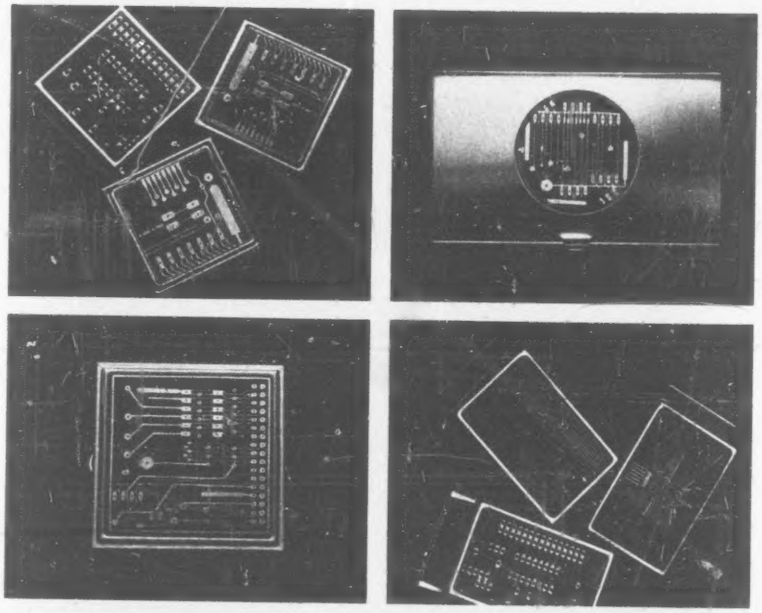
While most retailers say the bulk of their TV sales is to established families as a replacement item, there is a large market for first-time sales to early baby boomers. According to this year's *CSA*/Leo Shapiro study, nearly twice as many 20-24 year olds are shopping TVs as their proportion of the population.

GM chains were mentioned by half of those who say they are thinking about buying a TV in 1983 as the place they would shop, matching the 45.6% who bought a set this year through a GM outlet. When questioned on why they would go to a particular store, 42.9% said "price or discounted price" was the most important consideration. A strong 14.3% said they would go to a store where their past buying experiences had been good.

Surprisingly, no potential purchasers say the brand of TV set is unimportant, either for a nationally advertised brand or a private label. And while 31.5% of those in the market for a new TV say they definitely want a particular national brand, three-quarters of the shoppers will consider the store's own brand when they are looking. Three out of 10 potential purchasers say there is a very good chance that they will buy the store brand.

Most potential TV buyers are shopping for a portable or table model color set and expect to pay between $300 and $699 for it. Fewer than 1% of survey respondents say they are in the market for a large-screen projection television. Sales of projection TVs dropped nearly 20% this year and department store buyers say volume may plummet further in 1983.

All income groups are relatively strongly represented among shoppers, except for those earning less than $10,000 who make up [illegible].3% of the TV shoppers compared to their 16% of the population. □



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The majority of shoppers for table linens report no brand preference.

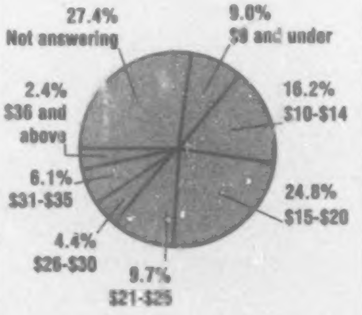
Table linens boost dept. stores

Table linens are not a high priority for consumers in 1983, points out research from the *CSA*/Leo Shapiro & Associates study. Of the 37 hard lines products reviewed, table linens attract one of the lowest percentages of prospective shoppers for the next 12 months, with only popcorn poppers, instant cameras and moisturizing lotion generating less interest.

Slightly more than 1 in 10 of the consumers polled say they purchased table linens last year and roughly 1 in 20 say they might buy next year. Moreover, if table linen shoppers are forced to curb spending next year, 53.5% say they will delay this purchase. Two-fifths will not put this expense off.

When it comes to actually making the purchase, table linen shoppers appear to have their minds made up as to which store to shop; only 16.4% are undecided. Of those consumers who are planning to buy table linens, 42.3% say they will shop a department store. This was the only hard lines category in the survey in which department stores turned out to be the market share leaders.

Shoppers anticipate mean price at $19.90



Source: *CSA*/Leo Shapiro & Associates

Additionally, the Big 3 catalog chains stand to grab 28.3% of the table linens business, giving them a slight edge over discounters' 24.5% of the market. Penney's contributes 13.7% of the mass merchants' total while Sears accounts for 11.7% and Montgomery Ward, 2.9%. Product specialty stores comprise 5% of the future market.

These figures differ dramatically from the previous market share breakdown based on where customers last shopped. Department stores and product specialty shops lose business to the Big 3 catalog chains and discounters. In the past the breakdown was: department stores, 59.7%; discounters, 16.8%; mass merchants, 7.7% (including Sears 4.1% and Penney's 3.6%), and product specialty stores, 8.7%.

According to more than a third of the table linens shoppers, the primary factor influencing their store selection is price. Other reasons cited include convenient location, 15.3%, quality, 12.1% and selection, 9%.

But despite consumer concern over prices, table linens appear less price sensitive than other home products. More than one-fourth of the shoppers had no idea of cost while 41% expect their purchases to be between $10-$20.

Additionally, the majority of shoppers say they have no brand preference. The remaining 43% are split almost equally between a store brand and an advertised one. Moreover, of the customers preferring the advertised or store brands, neither group shows a strong commitment to purchasing only the brand mentioned. As a matter of fact, only 11.7% of those wanting a store brand and 16.8% of those preferring an advertised brand say they definitely want that brand.

In general, three-fourths of the table linens shoppers have family incomes over $20,000 and of that group, one-fifth report incomes over $40,000. ☐

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Garnering 60% of shoppers' responses, name brands outdistance store brands.

Price is key to air cleaner sales

Electric air cleaners are heavily promoted gadget items that seem to have found a home as an impulse item in discounters and full-line department stores.

Results of the *CSA*/Leo Shapiro & Associates survey indicate air cleaner prospects have little notion of the product's price and, therefore, are more susceptible to impulse purchases.

For example, those who said they "might buy" an electric air cleaner within the next 12 months said they'd expect to pay anywhere from a low of $15 to as much as $500 (20.2% said they would pay between $21 and $25).

But despite price confusion, air cleaner prospects know where they want to shop—discounters and department stores. More than 30% said they would buy an air cleaner at a discount store (only 6.3% cited K mart specifically) followed by 24.3% at a full-line department store.

The air cleaner prospects' background is also about as varied as their price perceptions. According to the survey, annual household incomes of likely buyers could fall under $20,000, between $20,000 and $30,000 or more than $40,000. There are also prospects who have had "some college," have a college degree and others even hold postgraduate degrees.

One constant trend, however, is air cleaner prospects prefer advertised brands. Almost 60% said they would buy a name brand while only 11.3% say they would purchase a store brand. Another 29.8% said they have no preference.

Good news for retailers who are targeting this market is that shoppers (who also feel their financial standing will improve) say they won't delay that air cleaner purchase if by chance they're forced to cut family spending. ☐

Cold will warm heater volume

Retailers could have a banner year with portable heater sales if forecasts for a bitterly cold 1982-83 winter season hit the mark. The one dark cloud could be safety questions raised in a recent article in *Consumer Reports*.

The electric, quartz and kerosene units—like air-conditioners—usually sell well during severe weather conditions. This is especially true of the Southern regions which last year suffered a colder than normal winter. Of those consumers who purchased heaters in the winter of 1981-82, 30.5% lived in the Middle Atlantic States, 14.6% in the South Atlantic States and another 12.5% in the East South Central region.

According to the *CSA*/Leo Shapiro & Associates survey, the top portable heater prospects are blue-collar workers with a mean income of about $23,000 (the lowest among the survey's hard lines product categories). This shopper is also married, with one child, a high school graduate and is in the 30- to 49-year-old age range.

Heaters draw low-income group

	% of consumers who bought/might buy		
Income	Portable heater	Ceil. fan	Air cleaner
Under $20,000	45.4	34.5	27.0
Not answering, but under $20,000	1.3	0.0	0.0
$20,000-$30,000	27.2	34.5	27.9
$30,000-$40,000	9.3	10.5	13.6
Over $40,000	11.3	16.3	26.0
Not answering, but over $20,000	0.5	0.0	1.7
Not answering	5.0	4.2	3.8
Job			
Professional	12.7	11.4	13.2
Manager	11.8	18.7	22.3
Sales worker	7.4	13.5	12.5
Craftsman	11.8	7.4	12.8
Operative/ kindred worker	16.2	6.9	9.4
Retired	13.5	20.6	14.5
Other	26.6	21.5	15.3

Source: *CSA*/Leo Shapiro & Associates

These shoppers are also changing stores. The Shapiro poll points out major shifts in prospects' buying intentions compared with those who bought a portable heater last year.

K mart increased its have bought/will buy market share comparison by 84.3%, as did Sears by 36.4%. Other discounters, however, dropped 42.4% while full-line department stores decreased by 41.9%.

Location and convenience seems to be a factor among discounters. Of those who shop for hardware products at K mart, 19.4% cited location/convenience as the primary factor. Only 2.5% said they would shop "other" discounters for location and convenience.

Sears, meanwhile, scored points with its traditional hardware department strengths—quality (27%), location/convenience (16.8%) and satisfaction/past experience (14%).

Most of those surveyed said they had no brand preference which could also prove advantageous to house-brand dominated Sears. While only 11% of the consumers said they would prefer a store brand, 54.8% said brand name was no factor in their decision. ☐

Ceiling fan sales to whirl at Sears

The *CSA*/Leo Shapiro & Associates survey of those planning to purchase a ceiling fan shows Sears increasing its potential market share at the expense of discounters, specialty shops and Montgomery Ward.

The nation's biggest retailer increased its have bought/will buy market share comparison by 76.9%, from 16.0% to 28.3%. Meanwhile, the competition took a dive. Discounters (other than K mart) dropped 30.6%, specialty stores decreased 48.4% and Montgomery Ward was down 59.7%.

Quality, convenience and Sears' strong store brand hardware line appear responsible for the shift. More than 16.0% of those surveyed said they preferred store brands (up from 9.0% in 1981) and another 51.2% said they had no brand preference whatsoever.

Other than Sears, home improvement stores also showed an impressive increase in ceiling fan prospects. Only 3.4% of those asked bought a ceiling fan at a home center in 1981. But in 1982, 13.1% said they might buy the fan at a home center.

There won't be many baby boomer dollars spent on ceiling fans. This category's shoppers are an older lot. Not only is the group's median age about 45, but 22.8% are more than 65 years old.

***Baby boomers aren't** prime targets for ceiling fans; average shopper is 45.*

They're also financially secure consumers who don't expect much change in their income status. Almost 35% make between $20,000 and $30 000 while another 16.3% make more than $40,000 annually.

One thing, however, can be said about ceiling fan owners—once they buy one, there's a good chance another purchase is in the offing. According to industry insiders, 16% of all homes have a ceiling fan. And of those who own one, 40% have purchased an additional fan. ☐

Brands count big in luggage market

There are nearly as many contradictions in the luggage market as there are gimmicky come-ons from the airlines to beat the high cost of travel.

In fact, according to the *CSA*/Leo Shapiro & Associates study, the most likely luggage customer splits into two distinct groups. Both groups are in a stable financial position and are in a position to travel frequently. Twenty to 24 year olds make up the first group, with 19.1% having bought or planning to buy. The second group are members of a five-person household and earn in excess of $40,000 a year.

Despite the fact that both consumer groups earn over $20,000, which should insulate the market somewhat against economic vulnerability, the survey shows that the luggage trade is a highly price-sensitive purchase that 61.6% of all potential luggage consumers will delay when cutting back on spending.

Lower price tags move luggage

Price expect to pay	Total per cent
$17-18	0.8
$19-20	0.3
$21-25	1.3
$26-30	3.0
$31-35	1.9
$36-50	10.5
$51-99	13.1
$100-124	11.7
$125-149	3.8
$150-199	4.8
$200-299	8.1
$300-399	6.4
$400-499	2.7
$500-699	0.3
$700-799	0.8
$800 and over	0.3
Not answering	30.2

Source: *CSA*/Leo Shapiro & Associates

Over one-half of the potential luggage customers, 55.7%, say they want to buy brand names. And over one-third, 34.1%, said they definitely want the advertised brand. To buy that name, however, these customers expect to pay between only $51 and $99.

Store shopping patterns also underline the price sensitivity of the luggage market. Past purchasers of luggage shopped mostly in full-line department stores (31%), outranking Sears (9.5%), J. C. Penney (8.8%) and Montgomery Ward (1.8%). Looking ahead to the next year, full-line department stores lose ground, named only by 26.1% of the potential shoppers. Consumer interest in shopping Penney and Ward escalates. ☐

Chains zapped by bug killers

Beware discounters: ultraviolet bug killer shoppers may be heading to local hardware stores.

Last year, many bug zapper owners were burned when the units' starter motors suffered blowout problems. Although suppliers claimed they rectified the problem, the latest *CSA*/Leo Shapiro & Associates survey shows a significant increase in hardware stores' share of the future market when compared with purchasing patterns in 1981—more than double, in fact.

Price is lawn & garden key

	K mart	Other disc.	Mass merch.	Sears	Ward	Penney	Dept. store	Specialty store	Hardware store	Home impv.
Price/discount	49.2	81.9	15.3	15.8	16.5	0.0	33.4	25.6	20.1	35.5
Selection	6.2	3.4	3.2	2.4	0.0	32.9	23.1	10.6	15.3	24.9
Quality	10.2	1.5	23.0	25.2	16.8	0.0	12.7	6.1	8.9	11.5
Satisfaction/ past experience	0.0	1.5	17.5	19.3	12.0	0.0	11.6	22.5	16.7	9.4
Location/ convenience	18.7	7.7	13.8	14.3	14.8	0.0	16.2	9.3	22.7	0.0
Credit Card	0.0	0.0	10.9	8.1	16.5	50.6	0.0	0.0	1.3	0.0
Service/repair/ guarantee	6.2	0.0	9.4	9.0	14.0	0.0	2.4	3.1	0.0	0.0
Other	0.0	1.5	4.3	5.1	0.0	16.5	0.0	4.6	10.7	18.7
Not answering	9.5	2.5	2.6	0.8	9.4	0.0	0.6	18.2	4.3	0.0

Source: *CSA*/Leo Shapiro & Associates

Sears, however, has managed to retain the largest share of past customers and future prospects. In the "have bought/might buy" comparisons, Sears increased its market share by 19.1%.

Both Sears and hardware store outlets scored high marks for product satisfaction and convenience when shoppers were asked why they will patronize a particular store.

About 44% of those surveyed said they shopped hardware stores for lawn & garden products because of convenience and product satisfaction/past experience. Sears received high marks for quality (more than a quarter of those surveyed) followed by satisfaction (19.3%) and price (15.8%).

The results indicate that shoppers will visit stores they believe will back the product—especially important in light of the bug killers' past mechanical problems. These developments do not bode well for discounters. This group (not including K mart, which slightly in-

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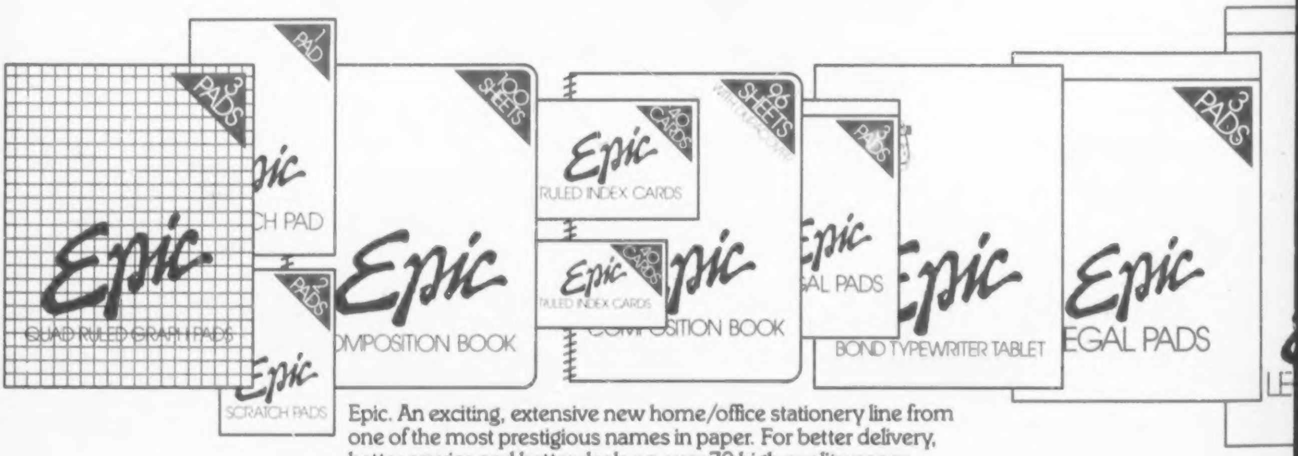

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creased its prospects) dropped 28.7% in the have bought/might buy comparison.

Next summer, industry insiders say, could be a strong year for bug killer sales. Consumers are better educated about the once-mysterious ultraviolet devices and have a better idea where they'll shop and how much they'll pay.

According to the *CSA*/Leo Shapiro survey, almost 60% said they expect to pay between $36 and $124 for a bug killer. □

Economy puts snag in barbecue sales

Barbecue grills seem to have settled into two pricing categories—shoppers have a prediliction for grills under $50 as well as more elaborate units in the $150 range.

According to results of the *CSA*/Leo Shapiro & Associates poll, 41.4% of those surveyed expect to pay less than $50 for a grill (21.5% between $36 and $50) while 20.6% say tickets will run between $125 and $299 for a grill.

If they do buy a barbecue, it will probably be at a discounter. About 36% of those asked said they would buy a grill at a discount store, followed by a full-line department store (18.7%) and the Big 3. Sears accounts for 14.7% of all prospects while K mart garnered 11.2%.

K mart, however, has dropped from the lofty heights of last year's *CSA*/Leo Shapiro survey. In 1981, 32.3% of those asked said they "might buy" a barbecue grill at K mart. □

Big 3 to bag more lawn mower volume

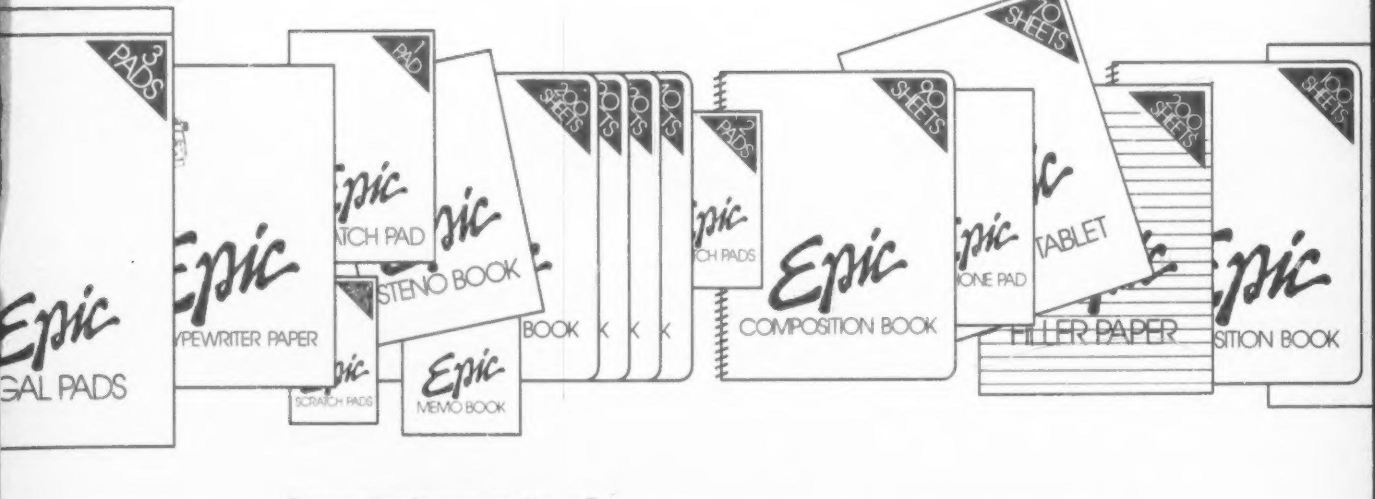
Winter or not, it's a good time for lawn mower retailers, especially the Big 3 catalog chains who are siphoning a large share of the market away from discounters.

The Big 3 increased their market share (when comparing last year's buyers with this year's prospects) by 48.8% while discounters plunged 61%. Sears alone jumped 48.3% and Montgomery Ward, 53%.

The Ward and Sears store brands may have been a factor in these market share increases. While more prospects said they preferred advertised brands (39.6% to 25.8% favoring private labels), shoppers who plan to purchase store brands are more loyal than their name brand counterparts.

Home improvement centers and hardware stores also improved market share positions. Home centers almost tripled market share in the have bought/might buy comparisons while hardware stores jumped 25.6%.

The lawn mower shopper is a well-to-do consumer who achieved a high income at an early age and without the benefit of a college education (36.2% are in professional or sales jobs). They are also an optimistic group that has managed to save without cutting back. □



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Cameras eying sales slump

Different customers for different cameras

Income	% of camera customers		Expect to pay	% of camera customers	
	35mm	Instant		35mm	Instant
$5,000-$10,000	3.5	7.1	$21-$25	0.0	5.0
$10,000-$15,000	5.1	12.5	$26-$35	0.5	9.3
$15,000-$20,000	13.9	16.2	$36-$50	0.5	28.1
$20,000-$30,000	31.1	29.6	$51-$99	1.1	14.9
$30,000-$40,000	15.9	12.0	$100-$124	5.4	5.9
Over $40,000	21.2	16.9	$125-$299	37.8	7.6
All other	6.9	1.4	$300-$399	20.3	0.9
Not answering	2.4	4.3	$400-$499	5.1	0.0
			$500-$699	7.1	0.0
			All other	4.0	3.6
			Not answering	18.2	24.7

Source: *CSA*/Leo Shapiro & Associates

One thing 35mm and instant picture cameras have in common is soft sales in bad economic times. And if families are forced to cut expenses, the planned camera purchase will be *the* first to go, according to the *CSA*/Leo Shapiro & Associates survey. Three-quarters of the consumers said they would put off a 35mm purchase while 76.5% would delay their instant camera plans.

The trend is supported by Shapiro's active market statistics pinpointing consumers who have shopped the lines in recent months and camera industry figures. In 1982, the market for 35mm shoppers declined slightly from levels projected by Shapiro in 1981. Instant cameras, meanwhile, suffered a major market decline. This drift is supported by industry figures which show since 1979, 35mm unit sales have declined 14% while instant sales dropped 29.5%.

But that's where the economic similarities end. For example, there are different reasons for poor sales. While both the 35mm and instant cameras are victims of the recession, the instants are also plagued by industry competition (the new Kodak disc camera system, for instance) and the boom in one-hour photo processing shops.

Target customers also differ. Of those likely to purchase a camera, the 35mm shopper is a college-educated baby boomer who holds down a "professional" position while the instant prospect is older, may have "some" college experience and is employed in a "technical" profession.

Price priority for 35's: Price is becoming a priority among 35mm shoppers as K mart and private party sales (flea markets, etc.) are becoming more attractive to the presold baby boomers who are the most likely camera customers.

Based on the Shapiro statistics, K mart's market share (comparing those who purchased 35mm cameras in the past year with those who said they plan to buy in the next 12 months) more than doubled. Over half the potential camera customers mentioned "price" as the reason for shopping K mart while 11.6% noted selection—a positive reflection of the retailer's high sku camera department.

Another indication of price-conscious shoppers was a sharp market share drop for specialty stores. In 1981, 44% of 35mm buyers in the *CSA*/Shapiro survey bought a 35mm at a specialty camera store. This year, only 34.9% say they plan to buy at a specialty store—a 20.7% drop.

For other retailers, discounters as a group declined 18% in the have bought/will buy market share calculations. This indicates that discounters, other than K mart, may not be remaining price competitive, or had better beef up assortments.

Private party camera transactions, however, increased dramatically. This group, which usually involves the sale of used equipment, more than tripled its share of prospects in 1982 compared with actual 1981 buyers.

These consumers doing all this retail hopping are the baby boomers who, according to the Shapiro survey, are more likely to purchase 35mm cameras.

About 46% of those surveyed fall into the 20- to 30-year-old age bracket. Within this group, 33.3% have either college or graduate school degrees and are working in one of the professions (doctor, lawyer, etc.).

They're also well paid and, consequently, optimistic about salary prospects and chances for an economic recovery. Nearly three-quarters earn more than $20,000 annually, compared with 47.2% of the total survey population.

Camera customers are also willing to pay for a high-end 35mm SLR camera. More than half say they expect to pay between $200 and $399. This virtually eliminates the "snapshooter" 35mm, such as the Canon "Sure Shot," from the running for the baby boomer's dollars. ☐

Quick photo labs slow down instants

There's no real mystery behind poor instant camera sales.

- Many consumers consider the instant camera a frivolous purchase during hard economic times. Some 76.5% of all instant camera customers say they would delay their purchase if they curtail spending—tops in the *CSA*/Leo Shapiro survey.
- The new Kodak disc camera has become a popular alternative.
- One-hour photo shops have effectively changed the camera hobbyist's definition of "instant."

Competition, however, has been the major determinant in the instant camera slide.

Kodak, earlier this year, introduced the state of the art snapshooter called the "disc" which employs a motor drive advance system as well as the easy loading, disc film. At the time, industry analysts pre-

dicted the three-model line (with price points comparable to instants) would cut into snapshooter sales be it the instants or Kodak's own instamatic line. They were right. According to Kodak officials, the Rochester-based giant plans to ship eight million disc units by the end of 1982.

Another roadblock for instants has been the proliferation of one-hour photo labs.

In the past two years some 1,000 shops have opened nationwide and that massive growth—abetted by franchising—is expected to continue. The labs have virtually stripped the instants of their trump card—speed. Not only can the labs have pictures back within an hour, but the color photos are better quality than instant camera snapshots.

Within the instant market, specialty camera stores doubled and Sears more than tripled market share in the have bought/will buy comparisons. Drug store outlets and discounters declined, indicating the price gap may have narrowed between the specialty and price-oriented stores as retailers heavily promote price to move the sluggish selling instants. Selection was the primary reason for choosing Sears and the specialty shops.

Potential instant camera customers seem to have a firm grip on price points. Nearly 60% said they expect to pay between $20 and $99 for an instant camera which is well within the established price range.

But the instant shopper is also less likely to part with that money than his 35mm counterpart. They make slightly less (58.5% make more than $20,000 annually compared with 68.2% for the 35mm buyer) are older (almost 62% are more than 35 years old) and thus may have to divert more funds to the essentials of family life.

They're also less optimistic about their own economic prospects than the 35mm group—bad news for retailers with heavy instant camera inventories. ☐

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Microwave Cooking Center

Microwaves are the No. 1 priority among consumers actively shopping in '83.

Microwave ovens–quietly exciting

Of the 37 hard lines products tracked by the *CSA*/Leo Shapiro & Associates study, microwave ovens are the No. 1 item consumers say they are actively shopping for and might buy in 1983. It even rated higher than headline-grabbing consumer electronics. Having a piece of this potential market could mean higher dollar volumes for retailers with ailing housewares or appliance businesses.

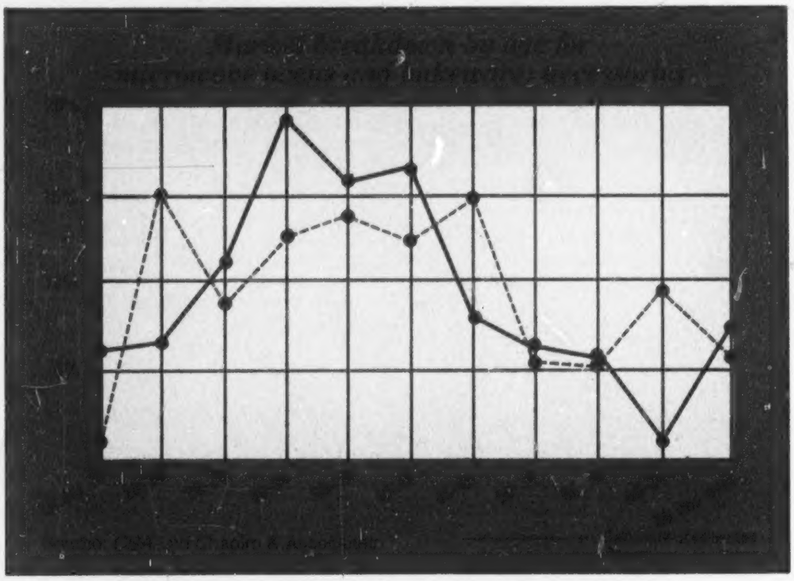
Data from the survey shows that 5.5% of the total population polled bought a microwave oven within the last 12 months, up half a point from last year's anticipated market. Slightly more than 4% of those polled indicate that they will buy one in 1983 and 68.3% of that group are actively shopping the market for this product. However, the appliance ranked third highest in economic vulnerability with only one-fifth of the shoppers saying they will not delay this purchase if forced to cut spending in the future.

It appears the microwave oven customer is better heeled than the average consumer and is perhaps buying the product for its convenience appeal. In general, the shopper is 39 years old, a high school graduate with some college and a member of a three-or-four-person family. Nearly two-thirds of these consumers have family incomes that top $20,000; the mean is $29,700. Of the 37 product categories, this rates as the third highest mean income which stands to reason considering that microwaves generally retail for $200 plus.

Surprisingly, consumer interest in the product spans all walks of life. Approximately 20% of the shoppers say their chief breadwinners are managers; 12.2%, craftsmen; 11.8%, professionals; 11.1%, salesworkers, and 11% retired.

Of those planning to buy microwave ovens in 1983, nearly a third haven't decided which store to shop. This is down substantially from the 56% undecided last year. Of those naming a store, 35.4% are planning to make purchases at the Big 3 catalog chains with 24.5% of them citing Sears specifically. Another 19% say they will buy at department stores while 24.5% prefer specialty stores. Only 8.7% mention discounters. Department stores, up 6.3%, Ward down 4.1%, and specialists down 5.4% showed the most change.

The No. 1 factor affecting shoppers' store selection is price. Quality is the second most important reason. Surprisingly, factors like service or repair, selection and store location pull little weight in swaying the decision.



For the most part, consumers are quite knowledgeable about microwave oven prices. Only 15% of those planning purchases had no idea of the cost. The median price estimated by all shoppers is $453. Roughly 50% expect tickets to range between $400 and $699. Another 30% anticipate paying between $200 and $399 while only 5% expect prices to exceed $700.

When it comes to brand, 53.1% of the shoppers want an advertised brand, 13.9% want the store brand and 33% have no brand preference. It appears that retailers can improve their margins and perhaps gain market share by offering the less well-known brands at competitive prices.

However, of those shoppers who mentioned an advertised brand, 31.7% definitely want the name item while 5.2% say it doesn't make a difference. Figures are less dramatic for those shoppers mentioning a store brand. Here, only 3% of the group definitely want the store-brand merchandise and 7.1% say it doesn't make a difference. ☐

Popcorn poppers poop out in '83

***Poppers stirred surprisingly** strong interest in households without children.*

Of the 37 hard lines products examined in the *CSA*/Leo Shapiro & Associates study, popcorn poppers shape up as the second least active next year. Only 1.4% of the total population interviewed say they might buy one within the next 12 months, suggesting the category has hit the saturation point.

However, of all those planning popcorn popper purchases, 4 out of 10 say that they will buy the item regardless of economic pressures, giving it a fairly low vulnerability level.

Price appears to be the No. 1 issue with the shoppers. According to the survey more than 75% expect the item to cost less than $30 and of this group, 53.5% anticipate the price tag to be less than $20. The median price estimated by those planning purchases is $20. Less than 15% had no idea of cost.

Additionally, 52.9% of the shoppers say that price is the major influence in store selection. Quality, selection and guarantee have minimal effects on this decision.

For the most part, catalog showrooms and factory outlets will increase market share during 1983, while the Big 3 catalog chains and department stores lose out. The leaders in the past, and continuing into next year, are discount operations. Only one-fifth of the shoppers remain uncommitted to a store.

Though generally associated with traditional families, poppers showed strong interest in homes without children. Forty-four per cent of the households who bought or might buy one had no children. ☐

Bakeware draws older customer

☐ Research from the *CSA*/Leo Shapiro & Associates study suggests consumers first buy microwave ovens and, after familiarizing themselves with their capabilities, then seek out accessories. Slight differences in consumer profiles illustrate this.

Although both items appeal to families with incomes exceeding $28,000 and are markets dominated by white-collar workers, bakeware/accessories customers are generally older. The mean age is 41.3 years, roughly two years older than the mean for microwave oven customers.

The survey also indicates that consumers do not necessarily buy their bakeware at the same stores they shop their ovens. Moreover, bakeware shoppers appear more decisive when it comes to store selection. Less than one-fifth of those planning purchases in 1983 have not made up their minds yet as compared to the nearly 1 in 3 oven shoppers who are undecided.

Like the microwave oven customers, nearly one-third of the prospective bakeware consumers plan to shop the Big 3 catalog chains. Another 20.4% expect to make their purchases at department stores.

However, unlike the oven customers, only 9.5% of the bakeware shoppers plan to shop appliance stores. Their third choice, with 19.2% of the respondents, are discount chains.

Both bakeware and oven shoppers cite low prices as the primary consideration when selecting a store. The second most important factor for the bakeware customer is the store's selection. Quality, on the other hand, rates poorly among the bakeware consumers though it's a prime consideration for microwave oven shoppers.

Surprisingly, where bakeware customers plan to shop differs from where they previously shopped last year. Discounters lose ground to both department stores and the Big 3.

Perhaps discounters, as well as specialty retailers, should be relooking their selections and pricing structures in order to regain market share. ☐

GMers may boost their market share by stocking higher-end lines.

'83 sales bright for auto sound

Car stereo systems are making steady headway as they plow through rough economic seas that have left most automotive aftermarket products floundering.

Retailers and manufacturers alike are forecasting comfortable 10% to 20% gains in unit sales and dollar volume increases as high as 30% for 1983. With the recessionary economy forcing more consumers to postpone new car purchases, owners, and especially younger ones, are putting the best audio systems they can afford into the vehicles they already possess.

"It's a real step-up business now," says a New England discount store buyer. "There's still a stable promotionally priced business, but the real growth is coming from AM/FM cassette decks selling for $179.99 and up."

Not surprisingly the strongest market for auto sound systems is among the youngest respondents in this year's *CSA*/Leo Shapiro Consumer Buying Intentions Study. One in 3 potential purchasers is under 25 years old although that group only accounts for 12.2% of survey respondents.

And while two-thirds of all car stereos will probably be sold to baby boomers, the product remains quite attractive to consumers up to 45 years of age. After 45, though, the percentage of potential purchasers trails the percentage of respondents for every age group.

Car stereo market is strongly youth-oriented

Age	% of polling base	% of purchasers	% difference
Under 20	2.0	7.7	+285.0
20-24	10.2	27.5	+169.6
25-29	12.6	17.1	+ 35.7
30-34	11.0	11.1	+ 0.9
35-39	10.6	11.4	+ 7.5
40-44	8.0	8.3	+ 3.8
45-49	7.8	5.5	− 29.5
50-54	6.7	6.4	− 4.5
55-59	6.9	1.5	− 78.3
60-64	7.3	2.5	− 65.8
65 and over	16.9	1.0	− 94.1

Source: *CSA*/Leo Shapiro & Associates

Auto sound buyers mirror other consumer electronics shoppers in their demand for nationally branded items, although they appear to be more willing to consider a store brand. Only 19.9% of those considering a car stereo purchase for 1983 said there was "no chance of buying the store's own brand rather than a nationally advertised brand." Just under half (46.6%) noted that there was a good chance they might choose a store brand audio system for their cars.

Although potential buyers cite price as the No. 1 reason they would shop a particular store for a car stereo, 11.8% of potential shoppers said quality was most important and past satisfaction rated tops with 9.6% of shoppers. This emphasis on quality and satisfaction may boost GMers' share of the market if more of them begin stocking higher-end auto sound products. Currently, only 25.2% of those who bought an auto sound system this year made the purchase at a general merchandise store compared to 59.1% who went to an electronics specialist.

Two out of 5 potential buyers said they expected to pay between $150 and $300 for a car stereo system next year, a price range where most sales actually occur, according to retailers. At the same time, 18% of the shoppers say they are looking at high-end systems with prices as high as $1,400 plus.

Despite the fact that a car stereo is an easily delayed purchase, 39.2% of those who recently bought a system or plan on buying in 1983 note that now is a good time to make a major purchase to beat impending price increases.

Car stereo purchasers are generally optimistic about their own financial security and that of the nation as a whole. Only 43.4% of all survey respondents say they expect their income to increase in 1983, while 65.3% of those in the car stereo market say their earnings will improve next year. More than half of the potential car stereo buyers say the United States economy will improve next year, one-third more than the overall population. ☐

Thanks to new colors and looks, consumers are again buying jeans.

Jeans sales on the upswing

Consumers are donning the uniform of the 60's

Retailers take note: Erratic jeans sales appear to be a thing of the past. Sales should be on the upsurge this year, according to research compiled by *CSA*/Leo Shapiro & Associates.

The study revealed 60.3% of the women and 57.4% of the men in the United States expect to purchase jeans in 1983, compared, respectively, to 45.9% and 36.7% who indicated purchase intentions last year.

These enthusiastic buying responses were the largest recorded by Shapiro for the 12 apparel categories tracked. What's more, even if the economy takes a nosedive and consumers are forced to cut back spending, 58.3% of the women and 64.5% of the men affirm they will stand by their decision to buy jeans.

Nonetheless, consumers are not opting for designer jeans, indicates the Shapiro data. This fact comes as no surprise, as department stores such as New York's Bloomingdale's and Minneapolis' Dayton's have pulled back on this category and moved into stonewashed and overdyed jeans. Both are traffic stoppers, report department store buyers.

Asked about what jeans they would buy in the coming year, consumers polled by Shapiro gave a vote of confidence to Levi's. Nearly 40% of the men said they would buy this brand, while over 20% of the women would also opt for Levi's. Trailing behind were store brands. A little over 16% of the men and women nodded to private label jeans. Next, men selected Wrangler while women chose Lee, followed by men preferring Lee and women, Wrangler. Calvin Klein, Jordache and Sasson were all favored by less than 4% of the men and women in the United States.

Consumers are most likely to begin looking for jeans at department and specialty stores. Nearly 1 in 3 consumers said they would go to department stores, while almost 1 in 4 said they would shop specialists such as The Gap and Miller's Outpost.

When it comes to actually buying jeans, 36.3% of the women said they would go to department stores and another 23.4% would head to specialty stores. Mass merchants such as Sears, Penney and Ward pulled 21.8% of women shoppers. Of the catalog chains, Sears scored the most favorable response among women: 12.9% would go there, while 7.3% would head to Penney's. Less than 2% said they would shop Ward.

Discounters were chosen by almost 10.5% of the women, while off-pricers drew 3.8% of these shoppers.

When men decide to buy, they also choose department stores. One in 4 were inclined to shop this type of store. Close behind were mass merchants, then specialty stores. Unlike women, however, men chose Penney over Sears, 13.6% vs. 9.1%, respectively. Ward pulled less than

Strong store preference for apparel

No Store Preference*	Product	No Brand Preference*
8.6%	Jeans (All)	23.8%
6.1	Jeans (Women)	24.2
11.3	Jeans (Men)	23.4
14.8	Athletic Shoes (All)	33.6
16.7	Athletic Shoes (Women)	31.5
13.2	Athletic Shoes (Men)	35.3
7.8	Infants' Sleepers	60.9
9.3	Children's Overalls	41.7
6.9	Swimsuit	61.1
10.9	Women's Blazers	63.4
4.8	Sweatshirt Dress	71.0
4.4	Teddy	60.0
12.3	Dress Shirt	50.0
15.1	Casual Slacks	55.8
13.6	Socks	14.5
18.2	Activewear	69.1

**% consumers without preference*

Source: *CSA*/Leo J. Shapiro & Associates

1% of the men shopping for jeans. Specialists drew 21.9% of the men, while off-pricers garnered 5.5% of these shoppers.

On the whole, the price of the jeans determined the type of outlet consumers chose. Nearly 40% said price was the most important factor in store preference. Next to influence a consumer's choice of outlet was selection. Nearly 16% of the consumers claimed this as a reason to shop where they did. Convenience was important with 9.8% of the shoppers.

How much are consumers willing to pay? One in 4 said they would shell out between $15 and $19.99. This price was favored by both men and women, who were, however, at odds about paying between $10 and $14.99. A little over 22% of the men opted for this price bracket, while only 16.7% of the women were willing to pay this sum.

More than 1 in 4 shoppers will buy jeans in the Northeast

	% consumers who might buy		
	Total	Men	Women
New England	7.8	8.1	7.6
Middle Atlantic	20.4	17.7	22.9
East North Central	22.7	23.4	22.1
West North Central	4.7	4.0	5.3
South Atlantic	9.0	8.9	9.2
East South Central	11.8	13.7	9.9
West South Central	7.1	8.1	6.2
Mountain	4.7	4.8	4.6
Pacific	11.8	11.3	12.2

Source: *CSA*/Leo Shapiro & Associates

While men and women disagree over the $10-$14.99 price bracket, they were in accord about others. No one said they would pay less than $10. Roughly the same percentage (a little over 20%) said they would elect to pay between $20 and $24.99.

The days of spending $50 or more for a pair of jeans appear to be over for both men and women. Very few polled by Shapiro said they would plunk down this amount. ☐

Blazers suit working women

Do women own enough blazers? No, according to the *CSA*/Leo Shapiro &·Associates research. One in 5 women in the United States said they expect to buy a blazer next year.

Women between the ages of 25 and 44 will account for 50% of the sales, revealing blazers are wanted by working women. In fact, women earning over $20,000 are more likely to purchase a blazer than those earning less, 62.4% vs. 36.6%, according to the Shapiro data. Blazer buyers say they are in better shape financially than they were a year ago. In addition, nearly 50% claim they will be in even better condition one year from now.

Only 7.9% of the women between the ages of 20 and 24 will buy a blazer, perhaps because they are not yet dressing for success, just as the same percentage of women between the ages of 45 and 49 will buy one, perhaps because they already own a sufficient number.

The remaining purchases are pretty evenly divided among women above age 44, with one blip. Nearly 13% of women aged 50 to 54 might buy blazers next year.

Clearly the Shapiro data indicates that it is women in the peak business years who are making blazer purchases. But the reseach also clearly underscores that blazer purchases will be deferred if the economy tailspins. Nearly 4 out of 5 women will put off purchasing a blazer if their personal finances dip. It is not a necessary purchase.

As a result, price does play a role in store selection for women. As with most other categories, the largest number of women (28.6%) said they thought of price first when picking a retailer. Quality followed, with 1 in 5 placing that on top of her list. Selection and satisfaction rated next, with an almost equal number of women deeming these important criteria for store choice: 12.2% vs. 11.2%, respectively.

Department stores are the first place women shop for blazers, indicating they are succeeding in attracting working women. Offering a wider selection and personal shopping services, department stores account for nearly 60% of the lookers, points out the Shapiro data. This type of store surpasses all other retailers. Even specialty stores are way behind. Less than 15% of the blazer shoppers said they would look at stores such as The Limited and Casual Corner.

Mass merchants such as Sears and Penney have not made much headway in the category. About 12% of the women said they would peruse catalog chains. Penney's drew a 5.9% share of the women surveyed as did Sears.

As most discounters have not yet gone after "working women" apparel, it is not surprising that only 7.9% of the women decided to look first at these stores. The vote was evenly

Brands are not important to blazer shoppers

Brand	% consumers mentioning
Jones of N.Y.	2.0
Evan Picone	2.0
Act III	2.0
J. G. Hook	1.0
Pecor	1.0
Store brand	7.9
Other	20.8
Not answering	63.3

Source: *CSA*/Leo Shapiro & Associates

split between K mart and all other discounters. Four per cent said they would go to one or the other. Catalogs also have not proved themselves to be a vehicle for blazer shopping. Just 1% of the women surveyed by Shapiro said they would look there, and only 1% said they would start at off-pricers.

When actually buying a blazer, women follow almost the same paths taken by the lookers. Department stores are by far the most important retail outlet. Then specialty stores are chosen, but these trail way behind. Less than 15% of the women polled by Shapiro said they would really buy at specialists. The Big 3 catalog chains pulled less than 13% of consumer interest. Sears led Penney: 6.7% vs. 5.6%, respectively.

Only 6.6% of the blazer shoppers said they would buy at discounters. The same percentage of mail order shoppers would buy from catalogs as would look. But for off-pricers, the percentage stays at 1%.

The largest percentage of women would pay between $40 and $59.99, revealing that many women are buying moderate priced merchandise or waiting for brands to go on sale. Still, 1 in 4 said they would purchase blazers priced above $60. ☐

Department stores are the preferred apparel outlet

Product	All households might buy '83	K mart	Other discounters	Sears	Ward	Penney	Dept. store	Off-price	Specialty	Other
Teddy	10.1%	0.0%	7.0%	9.3%	0.0%	11.6%	62.8%	0.0%	7.0%	2.3%
Women's Blazer	22.7	2.2	4.4	6.7	0.0	5.6	60.0	4.4	14.4	2.3
Men's Activewear	12.5	0.0	4.4	13.3	0.0	17.8	40.0	6.7	17.8	0.0
Sweatshirt Dress	13.9	6.8	1.7	10.2	0.0	8.5	52.6	3.4	15.3	1.5
Women's Swimsuit	16.2	3.0	7.5	10.4	0.0	3.0	52.3	3.0	13.4	7.4
Men's Casual Slacks	19.6	1.4	2.7	15.1	2.7	12.3	35.5	4.1	26.0	0.1
Women's Athletic Shoes	24.6	2.2	15.6	2.2	2.2	6.7	11.1	0.0	57.8	2.2
Men's Dress Shirt	24.1	4.3	5.4	14.0	3.2	11.8	26.9	7.6	24.7	2.1
Children's Overalls	12.2	18.4	11.2	20.4	2.0	10.2	21.4	3.0	10.2	3.2
Women's Jeans	50.3	6.5	4.0	12.9	1.6	7.3	36.3	6.4	23.4	1.6
Infants' Sleeper	7.2	16.9	16.9	22.0	3.4	10.2	17.0	0.0	10.2	3.4
Athletic Shoes (All)	28.0	6.7	10.6	6.7	1.0	3.8	11.5	0.0	57.7	2.0
Jeans (All)	58.8	7.3	5.6	11.1	1.3	10.3	32.1	6.0	22.6	3.7
Men's Jeans	57.4	8.2	7.3	9.1	0.9	13.6	27.3	5.5	21.8	6.3
Men's Socks	25.0	16.8	14.7	16.8	3.2	13.7	21.1	3.2	7.4	3.1
Men's Athletic Shoes	31.2	10.2	6.8	10.2	0.0	1.7	11.9	0.0	57.6	1.6

Source: *CSA*/Leo J. Shapiro & Associates

Base: All who named a store

'Sweat' dressing: fashion, not fad

Sweat" dressing, which appeared on the scene last year, seems to be shaping up as a trend, not a fad among the young and not so young.

Retailers wondering if active looking apparel that has added heftily to the bottom line will continue in popularity can take heart. Next year, 14% of American women expect to buy some of this apparel, according to the *CSA*/Leo Shapiro poll.

The brainchild of New York designer Norma Kamali, sweat dressing consists, in the main, of skirts, pants, tops and coats made of activewear fabrics such as fleece.

The active looking street clothes clearly appeal to the under-20 age group and the 30- to 44-year-olds.

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Consumers regard sweat dressing as a fashion, not a fad.

Surprisingly, the 25-29-year-olds feel "so so," the Shapiro data indicates.

To appeal to this diverse group, retailers are going to have to offer priced-right sweat dressing, as these shoppers choose a store on the basis of its prices. Forty per cent of the potential shoppers say that price is the prime reason for store preference, perhaps due to the fact that they are not yet willing to invest a lot of money in this type of clothing.

In addition, selection also plays an important part in determining where they shop. More than 1 in 4 want a wide assortment when they shop for sweat dressing.

Where they look corresponds very closely to where they buy. The majority of shoppers look and purchase in department stores. They approve of the prices and selection found at these stores.

More than 1 in 5 women begins to look in catalog chains, but that percentage slips slightly when they buy. A little less than 18% actually spend at these chains. About 10% glance through Sears' selection and also purchase sweat dressing there. But while nearly 13% start to shop at Penney's, only 8.1% say they will actually buy there, perhaps because Penney's prices are more than this shopper wants to pay.

Specialty stores garner almost 13% of the lookers, but when sweat dressers buy slightly more opt for these stores, thanks in part to their mix that is less expensive than consumers first perceive.

A little over 11% head to discounters and 8.1% decide to buy at these stores. Roughly 7% begin to look *and* buy at K mart.

Off-pricers drew 1.6% of the lookers, but jumped slightly when people bought: 3.2% said they would shell out money for sweat dressing at these stores. Mail order is not considered as an outlet for this type of apparel, according to the Shapiro data.

Nearly 1 in 3 women in the Chicago/Detroit area expect to buy sweat dressing in '83

	% consumers who might buy
New England	7.8
Middle Atlantic	14.1
East North Central	32.8
West North Central	6.3
South Atlantic	10.9
East South Central	4.7
West South Central	4.7
Mountain	7.8
Pacific	10.9

Source: *CSA*/Leo Shapiro & Associates

How much are shoppers willing to spend for sweat dressing? The majority say less than $39—not within Kamali's price range, but within the range of most of the lookalike merchandise. A little more than 1 in 4, however, will pay $50 or more for sweat dressing, making them potential Kamali buyers.

Shoppers who intend to buy this type of apparel are not going to be swayed by the vagaries of the economy, reveals the Shapiro research. So much do they want this apparel, that a little over half will definitely buy this merchandise even if their personal fortunes take a turn for the worse. ☐

Women cuddle up to teddies in '83

In the past 10 years, the lingerie market has exploded. Items such as teddies and camisoles have won women's favor with the result that many department stores and some discounters have been reporting yearly double-digit increases in lingerie for the last five years.

In fact, lingerie is so important today that 1 in 10 women say they will purchase a teddy in the next year.

Teddies were unheard of a number of years ago, says a buyer from a Midwest department store. Today, they are sold in department stores, with more and more discounters stocking them.

Still, consumers are not as yet accustomed to buying teddies in discounters or specialty stores, for that matter. Over 50% of the women in the United States who might buy a teddy, according to the *CSA*/Leo Shapiro Consumer Buying Intentions survey, say they will start to look for a teddy at department stores. They will also buy there.

Because lingerie is such an ego-intensive purchase, women maintained the reason why they chose the store they did was due in large part to the selection of teddies carried by a store. For a teddy wearer, selection was deemed just as important as price. Both ranked the same with 22.7% of the women listing these factors as top priorities in

***Teddies are becoming an** accepted part of women's lingerie wardrobe.*

More than 1 in 5 shoppers in the Midwest will buy teddies

	% consumers who might buy
New England	8.3
Middle Atlantic	14.6
East North Central	22.9
West North Central	4.2
South Atlantic	6.3
East South Central	12.5
West South Central	8.3
Mountain	12.5
Pacific	10.4

Source: *CSA*/Leo Shapiro & Associates

store preference.

According to the Shapiro data, women with incomes over $20,000 are more likely to purchase a teddy than those who earn less than $20,000: 55.6% vs. 44.4%, respectively. The teddy wearer is also young. Over 50% are between 20 and 34.

As might be expected, retailers are going to have to offer teddies that are attractive to please these shoppers. Satisfaction also plays an essential role in store choice. Nearly 16% will choose a store on the basis of past experience, and an almost equal number (14%) claimed quality is important.

Consequently, teddy shoppers will head to catalog chains as the second place to look. More than 1 in 5 make this store type No. 1 to visit when looking for their teddies. Sears is the first choice among catalog chains, with 13.3% preferring the nation's largest retailer. Nearly 9% said they would go to Penney's. No one would start to look at Ward.

Only 8.9% would begin to look at discounters. Surprisingly, less than that number are willing to windowshop at specialty stores. Only 6.7% would begin there.

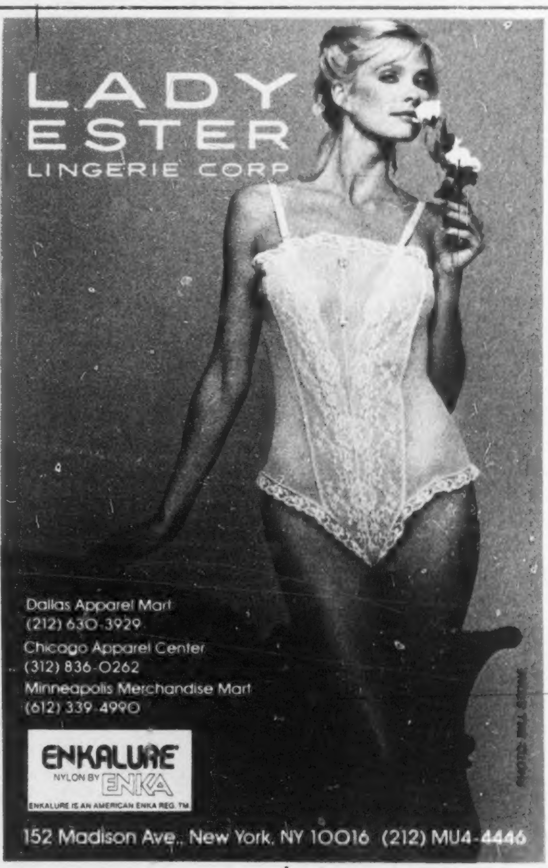
Where consumers shop mirrors the data on where they look. As mentioned, department stores are the prime retail outlet to buy teddies. Next come catalog chains.

Nonetheless, unlike the lookers, potential buyers chose Penney as the first place to buy teddies among catalog chains. Over 11% said they would purchase there, while 8.9% said they would go to Sears.

Mass merchants and specialty stores placed low with potential buyers, as they did with lookers. Both accounted for only 6.7% of consumer interest. Catalogs were not a vehicle used, perhaps because these women feel they must try on this type of merchandise.

By the prices quoted in the Shapiro study, women appear to be willing to pay for a teddy. The largest number of women (24%) said they would spend between $20 and $24.99, within the price range of department stores.

At the store, 13.3% of the shoppers are most likely to buy a Vanity Fair teddy. This brand was the only



one to score above 10% favor with shoppers. Store brands ranked next, with 6.7% in search of private labels. Vassarette and Maidenform ranked as No. 1 choice among 4.4% of the shoppers. The majority of shoppers, however, are just not sure what brand they will buy.

Since a teddy is not a necessity, consumers will defer purchasing if the economy takes a turn for the worse. Three-fourths of the potential buyers will delay spending if they trim back outlays. ☐

Price/value worth more than fashion

Men's colored and scantily cut briefs may be termed "fashion underwear," but shoppers aren't purchasing the fancy pants just for their fashion appeal. In fact, men and women polled on men's fashion underwear buying habits for *CSA* by Leo Shapiro & Associates found fashion a poor reason to pick a particular store for underwear purchases. Only 2.7% of the men queried and 2.1% of the women bought men's underwear where they did because of that store's fashion selection.

Indeed, shoppers applied the same criteria to fashion underwear that they might to less flashy, more mundane underwear purchases. Women listed quality (mentioned by 21.3%) as the main reason for picking an outlet for men's fashion underwear. Another one-fifth were concerned about price and value.

While men were also interested in quality and good value, they would most likely pick a store for underwear purchases due to convenient location, cited by 23.4% of the men polled. Quality (listed by 17.1%) and price/value (noted by 15.3%) were also concerns.

With male shoppers interested in a convenient store that offers quality garments at a good price, it's not surprising that the largest group of men planned to shop Sears first for fashion underwear needs. More than one-fourth of the men polled planned to look for fashion underwear at the nation's largest retailer, and one-fifth planned to make a purchase there.

Sears rates high as source for men's fashion briefs

Type of store	% of men who might buy there	% of women who might buy there
Sears	21.6	18.1
Ward	1.8	2.1
Penney	3.6	8.5
Dept. stores	19.8	10.6
Discount stores	22.5	39.4
Specialists	6.3	3.2
Not answering	24.4	18.1

Source: *CSA*/Leo Shapiro & Associates

The more price-conscious women were most likely to look and buy at discounters, listed by 38.3% as the first place they'd look and by 39.4% as the place to buy. The catalog chains rated second with women, with 28.7% planning to buy there. Men were almost as likely to buy at a department store (noted by

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***Quality plays an** important role in the selection of men's briefs.*

19.8%) as at a discount store (22.5%). Only 1 in 10 women planned to either look for or actually buy fashion underwear at a department store.

While women are often credited for buying the bulk of men's fashion briefs as gifts, the Shapiro study shows that men are as likely to buy the line for themselves. In the past year, 34.2% of male respondents had bought fashion underwear, and 35.1% were inclined to make a purchase in the coming year. Another one-fifth had received fashion briefs as gifts. Of the women, 31.9% had bought men's fashion underwear in the previous year, and one-quarter were considering buying the briefs in the future.

Baltimore Oriole pitcher Jim Palmer must be given some credit for making men's fashion underwear noticeable as well as accepted. Although almost half of the men and women polled had no definite brand in mind for future fashion underwear purchases, Jockey, which Palmer models, was the most frequently mentioned brand. Almost one-fourth of the men and 13.8% of the women were interested in getting Jockey. Another 13% would buy Fruit of the Loom, and almost 1 in 10 listed Hanes as a brand they might purchase.

Since the catalog chains rated highly as outlets for purchasing fashion underwear, it might be assumed that their private labels would be popular choices. However, only 3.6% of the men and 4.3% of the women planned to buy Sears or Penney brands.

While pitcher Palmer undoubtedly has a loyal following among blue-collar workers, the fashion underwear he peddles remains most acceptable to younger, professional men. Almost half of the men who planned to buy fashion briefs were in the 20-34-year-old age group and a comparable number were white-collar workers, while only a third held blue-collar jobs. Men who had attended or graduated from college or graduate school were the most likely to buy fashion underwear, as were those with household incomes over $20,000 per year. □

Athletic shoes keep on truckin'

Economic doldrums or not, retailers can expect sales of athletic shoes to keep cash registers ringing in the coming year. Athletic shoes trailed only jeans as the apparel item shoppers interviewed by Leo Shapiro & Associates were most predisposed toward buying.

Twenty-eight per cent of those queried thought they might buy athletic shoes, and 36.1% of these potential customers had actively looked for the footgear in the last month—the highest incidence for both men's and women's apparel. In these days of tight money, the moderately priced (shoppers expect to pay $26.06, on average), sturdy, comfortable foot coverings apparently make sense. Athletic footwear has become acceptable on city streets, campuses, malls and even in offices.

The bulk of the retail dollars that athletic shoes will be pulling in will come from men, mainly the 20-24 crowd—for whom athletic footwear is *de rigueur*—and the fitness-conscious 30-35- and 40-45-year-olds. Women trailed men in buying susceptibility in all the categories studied. For example, only one-quarter of the women surveyed thought they might buy athletic shoes in the coming year, compared with almost

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one-third of the men who were predisposed toward buying. While almost equal numbers of men and women had shopped for athletic footwear in the last month, 35.2% of the women (vs. only 27.9% of the men) said they'd put off buying if they were tightening purse strings.

When women were planning to buy, they were much more price-conscious than males. Both sexes listed specialty stores as the first place they'd go to actually buy sport footwear.

Men were more likely than women to buy athletic shoes at a catalog chain, particularly Sears. One of every 10 men surveyed picked Sears as their first choice for buying athletic footwear, while only 2.2% of the women would buy there. Four-fifths of the men said they'd buy shoes in the same type of store where they originally looked. Women were slightly more fickle, with only 74.1% opting to buy at the same place they first shopped.

Overwhelmingly, women picked price as the reason they would shop at a certain type of store, and less than 1 out of 10 was concerned with quality in athletic footwear. Three out of 10 men choose a store on the basis of its athletic shoe assortments. Price came in a close second in picking a store, followed by quality, for which 12.5% of the men voiced concern.

Women are more price-sensitive when buying athletic shoes

Reason for choosing a particular store

	Total	Women	Men
Price	33.0%	39.2%	28.1%
Selection	23.5	15.7	29.7
Quality	11.3	9.8	12.5
Convenience	6.1	2.0	9.4
Satisfaction	13.0	11.8	14.1
Other/don't know	13.1	21.5	6.2

Source: *CSA*/Leo Shapiro & Associates

Since they tended to shop at higher-priced outlets, such as sporting goods stores, and expressed interest in a wide selection and better quality of shoes, men expected to pay more for a pair of athletic shoes than women. The median price men expected to pay was $29.80; women thought they'd spend $8 less.

While more women had cut back on apparel expenditures in the last year (60.7% of the women in the market for athletic shoes vs. 44.8% of the men), they would be more inclined to buy athletic shoes now than men. Reason: to get a better deal before inflation pushed prices upward. ☐

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Price, assortments sell swimsuits

Retailers catering to the 25- to 39-year-old market should rack up healthy swimsuit sales in 1983, according to the *CSA*/Leo Shapiro research on consumer buying intentions. This age group is expected to account for nearly 50% of the swimwear volume, points out the data.

In fact, 16.2% of all women in the United States anticipate buying a bathing suit next year. Even if the economy slips and consumers curtail spending, almost 50% of those buying will still purchase swimsuits.

The largest number of women (nearly 1 in 5) intend to spend between $30 and $39.99 for a swimsuit, indicating swimsuit purchases are planned, not impulsive. Studies by Du Pont reveal women buy bathing suits once every three years.

The same percentage of women (15.3%) will spend $15 to $19.99 as will spend $25 to $29.99. Just a little over 10% will pay less than $15 and an equal percentage will shell out more than $40. The remaining women opt for prices between $25 and $29.99.

Although women expect to pay for bathing suits, price is still the first thing they think about when they select a store. Some 26.1% have this objective on their mind. Nonetheless, women are determined to find an assortment of suits when they shop. Selection was the next factor in store choice, with 1 in 5 claiming this made a difference as to where they shop.

Quality was also important to shoppers buying swimwear. Nearly 16% cited this as a store criterion. As might be expected, satisfaction was singled out as well by women buying bathing suits. Just about 15% credited this as a reason for picking out the store type they did.

Nearly 50% of the women will begin to look for bathing suits at department stores. No other store type received this kind of mention from consumers, indicating shoppers perceive department stores as having the best prices and selection, especially since nearly half will actually buy at a department store.

Women reportedly purchase *swimwear once every three years.*

Specialty stores and mass merchants were favored next by shoppers looking for swimsuits. But these store types were far behind, each garnering 13.9% of women's attention. Among mass merchants, Sears placed first with lookers, scoring with 9.7% of the women. Penney's followed, with 4.2% noting they would start there. No one chose Ward.

A little less than 10% said they would browse through discounters. About 3% named K mart first, while 6.9% said they would look in all other discounters. Mail order was also rated as a place to look. A little less than 5% said they would finger shop. Off-pricers were selected by 2.8% of the women.

Swimsuit buyers look for style not brands

Brand	% consumers mentioning
Jantzen	12.5
Catalina	6.9
Roxanne	1.4
Danskin	1.4
Cole	1.4
Store brand	8.4
Other	6.9
Not answering	1.1

Source: *CSA*/Leo Shapiro & Associates

Where consumers actually buy bathing suits is very similar to the data on where they look.

Some 50% said they would go to department stores for swimsuits. Next choice would be specialty stores that concentrate on swimsuits. After these two store types, consumers would go to mass merchants such as Sears and Penney. Nearly 14% of the women consider these stores when buying. Sears again racked up the largest percentage, with 10.4% of the women buying there. Three per cent said they would go to Penney's.

The same percentage who said they would look in discounters will also buy at this store type. Three per cent will shell out money at K mart, while about 7.5% will buy at all other discounters.

Although nearly 5% said they would look at catalogs for bathing suits, only 3% will order from these books. But the same percentage of women who said they would go to off-pricers will also buy there.

Of the swimsuit brands cited, Jantzen ranked first, with 12.5% of the women looking for this name in stores. Not far behind were store brands. ☐

Price keys sales of kids' sleepers

Baby boomers may be having children, but they are not anticipating buying a lot of apparel for their kids, reports the *CSA*/Leo Shapiro & Associates research on consumer buying intentions.

Take infants' sleepers. Only 12.4% of the baby boomers might buy one in the coming year, points out the data. Rather, mothers are reportedly using hand-me-downs and relying on gifts for their newborn.

Consumers buying infants' sleepers, indicates the Shapiro study, are in worse shape economically than last year. They cannot afford to buy much. Nearly 50% of them say their financial conditions have deteriorated in 1982.

***Mothers don't put sleepers** high on their shopping lists for infants.*

Demand highest for infant sleepers in West and mid-Atlantic

Region	% of poll base	% who might buy	% difference
Mountain	5.5	7.4	+34.5
West North Central	4.5	5.9	+31.1
Pacific	14.8	17.6	+18.9
West South Central	6.8	7.4	+ 8.8
Middle Atlantic	19.2	23.5	+22.4
East South Central	9.0	8.8	− 2.2
East North Central	21.5	17.6	−18.1
South Atlantic	11.8	8.8	−25.4
New England	6.8	2.9	−57.4

Source: *CSA*/Leo Shapiro & Associates

Over 60% of those buying sleepers have incomes over $20,000. Lending networks among mothers in hard-hit communities have sprung up so these pressed consumers don't have to purchase a lot of goods from retailers.

But for those who will acquire a sleeper in 1983, the majority said they would not delay buying.

If retailers want to capture these mothers, they must emphasize price. Price was credited as the determining factor in store preference. Retailers must also concentrate on quality. This criteria appealed to nearly 20% of the shoppers, followed by convenient location. One in 7 claimed this was a necessity. Obviously, consumers with infants do not like to shop around.

As price is the key to merchandising infants' sleepers, the majority of shoppers intend to pay between $5 and $9.99. Only 13% of the consumers buying sleepers expect to pay more than $9.99.

Where are they going to look? One in 3 would start to look at catalog chains. Of the three, Sears was the first choice among lookers with 20.3% going there. Penney's rated next, with 12.5% of those just starting to look for sleepers heading to this chain.

Discounters placed second among shoppers as a place to look. A little over 31% said they would start shopping there. Seventeen per cent selected K mart, while 14% elected to go to all other discounters.

Department stores placed third as the retail store type to browse, but they trailed the Big 3 and discounters by 10 points. A little over 20% said this was their first choice. Specialists were given the nod by only 9.4% of the lookers, while 3.1% said they would go to factory outlets.

Where consumers look parallels where they shop. Catalog chains stand to win the largest number of infants' sleepers' shoppers but right on their heels are discounts.

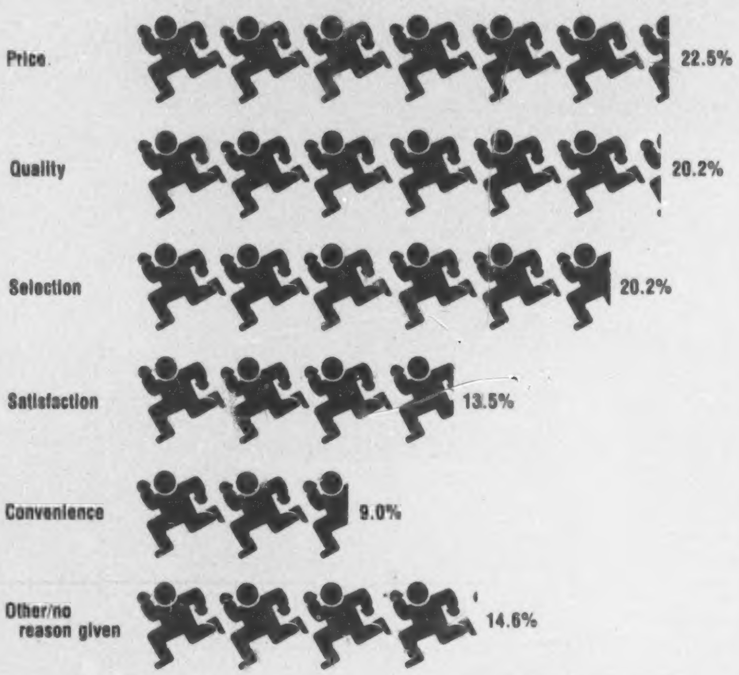
Nearly 1 in 3 consumers expect to go to the chains for infants' sleepers. Sears was the leader among this group with 22% of the shoppers selecting the nation's No 1. retailer. Penney was next, favored by 10.2% and Ward lagged behind, with 3.4% of the shoppers going there.

Discounters were the favorites of nearly as many shoppers: 33.8%. Among the discounters, 16.9% said they would probably buy at K mart and an equal percentage said they would go to all other discounters.

Again, department stores trailed. Perceived as being more expensive than other retail operations, department stores were the choice of 15.6% of infants' shoppers. Specialty stores fared worse, with less than 10.2% citing them as a place to buy: Consumers feel they will pay even more at these shops. ☐

Price/quality/selection closely linked in activewear

Reasons for picking a particular outlet



Source: *CSA*/Leo Shapiro & Associates

Little action in activewear

Despite being touted as "the jeans of the 80's," men's activewear is one of the least likely apparel items to be sold during these economically uncertain times. Only 12 5% of the men surveyed by *CSA*/Leo Shapiro & Associates were predisposed toward buying active apparel in the coming year, and only 2 out of 10 of these prospects had actively shopped the lines in recent months.

Activewear, viewed as nonessential apparel, is also one of the chief areas where clothing purchases would be cut back if consumers trim spending, trailing only women's blazers and teddies among the apparel items studied as a likely candidate for exclusion. Among activewear shoppers, 6 out of 10 said they had cut back on clothing purchases in general, and an equal number would also delay buying activewear if they were forced to reign in spending.

Not surprisingly then, price was the top factor when it came to picking a store to shop, and shoppers expected to pay only $33.20, on average, for activewear. However, for the low prices they expected to pay, shoppers also wanted quality and a wide selection. Quality and selection, each mentioned by 20.2% of the shoppers, closely trailed price (at 22.5%) as reasons for choosing a particular type of store.

***If men trim their** clothing budgets, activewear is slashed.*

In keeping with this price/value equation, more shoppers tended to *look* for activewear at higher-priced chains such as department stores, sporting goods stores and specialists. Fewer shoppers would actually *buy* the garments at these stores, however. Department stores were still the first place shoppers chose for buying activewear, but the catalog chains—Sears, Penney and Ward—rated a strong second (31.1% vs. 40% for department stores). However, less than 1 out of 10 men indicated a willingness to shop for activewear at a discount chain, even though many of these chains now carry private label and national branded activewear comparable to that found in department stores and the Big 3.

Brand names are of little importance to the activewear shopper. Two-thirds of the respondents listed no preference for a specific brand, and of the brands named, private label store brands got the most votes (12.1%). Only one national brand of activewear, Adidas, received any significant number of mentions (7.1%). So signs are both the Big 3 and discounters have an opportunity to gain activewear market share through a priced-right, quality private label program.

Men who were the most positive about an economic recovery were the best bets for buying activewear. The two-thirds of the respondents who saw their incomes increasing in the coming year were also the most likely to buy active apparel, as were those who were better off financially.

Those who earned in excess of $40,000 a year were the most likely to buy active apparel, while men with incomes under $20,000 were poor prospects for buying this nonessential item. Younger customers, for whom activewear has become synonymous with leisure wear, were good bets to buy the items. In particular, the under 20's and 20-24 age groups showed high susceptibility toward buying. ☐

NEWSBRIEFS

F. W. Woolworth chairman/chief executive Edward F. Gibbons, 63, died Oct. 26, just weeks after chartering a new company course highlighted by the closing of Woolco discount stores and the sale of FWW's 52.6% interest in Woolworth Great Britain. . . . **John W. "Bud" Lynn, 61,** a 42-year company veteran, was elected Gibbons' successor. Lynn will serve until June 1985. As vice chairman, he worked on the G. B. sale. . . . **Associated Dry Goods has confirmed** *CSA*'s August report that Stewart's would close and its Baltimore stores would be converted to Caldor discount units. . . . **Allied Stores has confirmed** *CSA*'s August report that following the Stern's-Gertz merger all stores would carry the Stern's nameplate. . . . **Federated is consolidating** administrative functions of its Tucson Levy's division with Dallas-based Sanger-Harris. . . . **AGMC-NMRI merger talks** are nearing a crucial stage. A report on ramifications of a merger will be submitted to both groups next month by Arthur Anderson & Co. . . . **Sears U.S. Merchandising income** increased 8.6% to $80.9 million in the third quarter on sales of $4.6 billion, up 2.2%. For nine months, income was up 59.4% to $144.3 million on sales of $12.9 billion, up 2.4%. . . . **Montgomery Ward's losses narrowed** to $38 million from $63 million for the quarter. For nine months the losses totaled $109 million vs. $138 million in '81. Sales dropped 6% to $3.7 billion. . . . **K mart has confirmed** *CSA*'s November report that name brand apparel departments will be rolled out in many K mart stores in '83 and that a separate, as yet unnamed, off-price chain is under consideration. *CSA* believes the chain will use existing Kresge locations. . . .**Wickes is seeking** a buyer for its $300 million Aldens catalog division . . . **Wal-Mart founder Sam Walton** has informed his company that he suffers from hairy cell leukemia, a treatable illness that should not impede his daily activity.

Soft sales gains for October

		OCT. SALES*		STORES		9-MO. SALES*		
MAJOR CHAINS	% change	1982	1981	1982	1981	1982	1981	% change
SEARS[1]	+ 3.8	1,593,725	1,535,551	841	858	14,321,656	14,046,816	+ 2.0
PENNEY	− 3.6	889,000	922,000	2,058	2,099	7,971,000	8,062,000	− 1.1
WARD[1]	+ 4.3	445,697	427,402	389	402	3,853,406	4,004,164	− 3.8
FEDERATED[5]	+ 9.3	518,200	473,900	377	N/A	4,258,200	3,946,200	+ 7.9
DAYTON HUDSON	+ 9.8	429,802	391,408	960	905	3,635,777	3,194,499	+ 13.8
MAY DEPT. STORES	+ 8.3	285,200	263,300	1,368	1,244	2,407,800	2,292,400	+ 5.0
CARTER HAWLEY HALE	+ 2.3	239,000	233,600	1,013	928	1,992,700	1,901,000	+ 4.8
MERCANTILE	+ 9.8	120,917	110,166	85	83	936,307	839,380	+ 11.5
K MART	− 2.1	1,183,600	1,208,534	2,403	2,362	11,633,421	11,375,784	+ 2.3
WOOLWORTH	− 2.0	521,079	531,722	N/A	N/A	5,073,097	5,001,704	+ 1.4
HOUSEHOLD MERCH.[2,3,5]	+ 1.9	248,147	243,523	3,795	3,904	2,106,681	2,102,099	+ 0.2
WAL-MART	+ 32.4	298,000	225,000	536	474	2,282,000	1,602,000	+ 42.4
T.G. & Y.	+ 11.9	170,627	152,513	923	929	1,453,335	1,324,883	+ 9.7
ZAYRE[4]	+ 20.4	184,893	153,560	617	565	1,471,083	1,231,956	+ 19.4
MURPHY	− 5.8	60,643	64,359	427	441	575,185	557,632	+ 3.1
ROSE'S	+ 9.6	45,603	41,604	239	235	440,154	402,347	+ 9.4
MELVILLE	+ 16.3	241,487	203,722	5,430	5,086	2,425,023	2,052,967	+ 18.1
TANDY	+ 18.6	189,102	159,456	N/A	N/A	1,507,909	1,266,122	+ 19.1
EDISON BROS.	− 2.9	69,365	71,454	2,155	2,029	718,761	745,771	− 3.6
TOTALS & AVERAGES	**+ 4.1**	**7,563,460**	**7,264,261**			**67,610,160**	**64,624,841**	**+ 4.6**

**000 omitted. N.C. = no change. N/A = not available.*

[1] Store number for full-line outlets only. [2] Plus 2,826 franchise stores (vs. 2,925 a year ago). [3] Includes T.G. & Y. sales. [4] Includes 265 Zayre stores (vs. 252 a year ago), 271 Hit or Miss stores (vs. 255) and 81 T. J. Maxx stores (vs. 58). [5] Excludes supermarket sales.

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Chain Store Age

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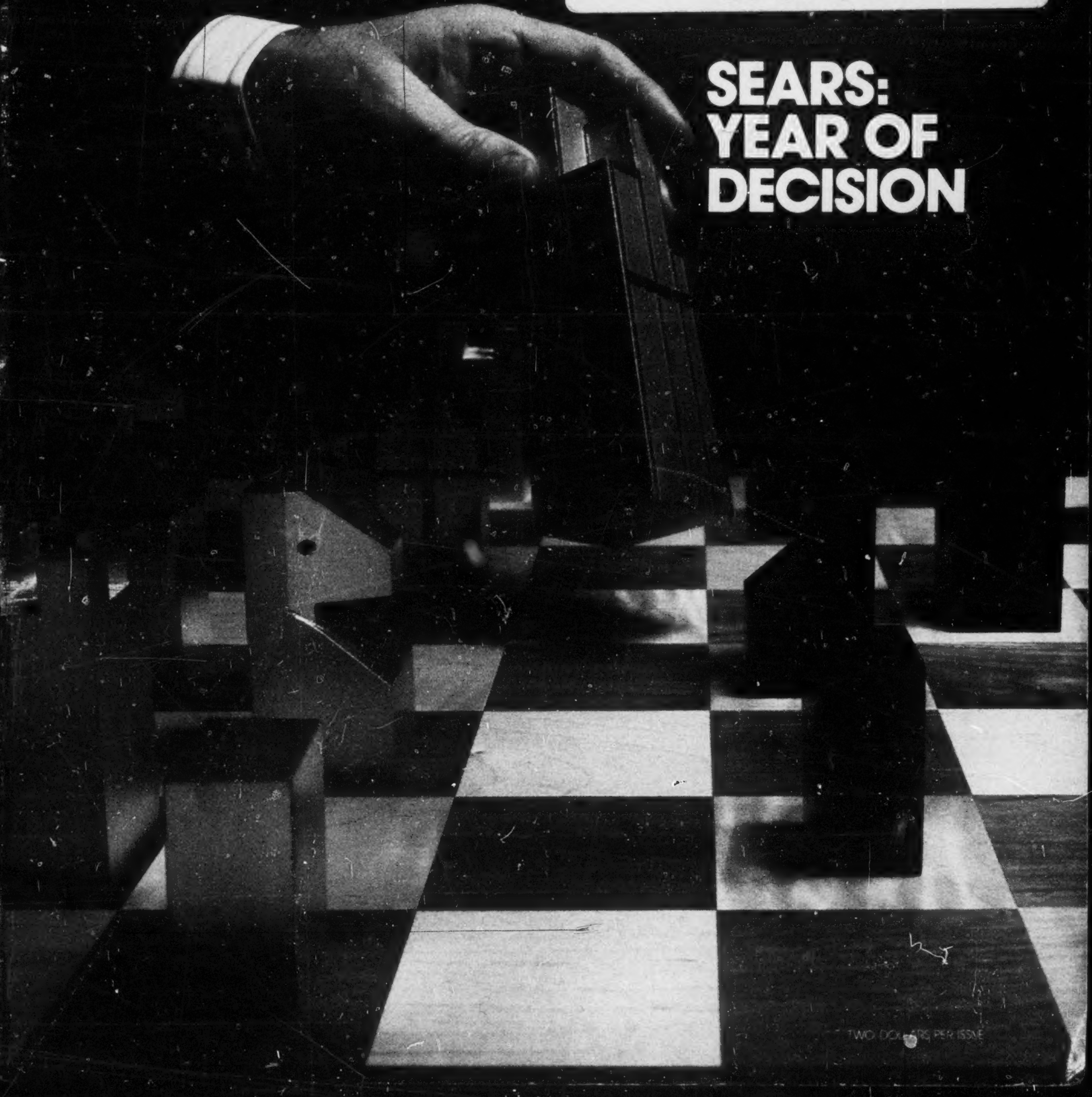
SEARS: YEAR OF DECISION

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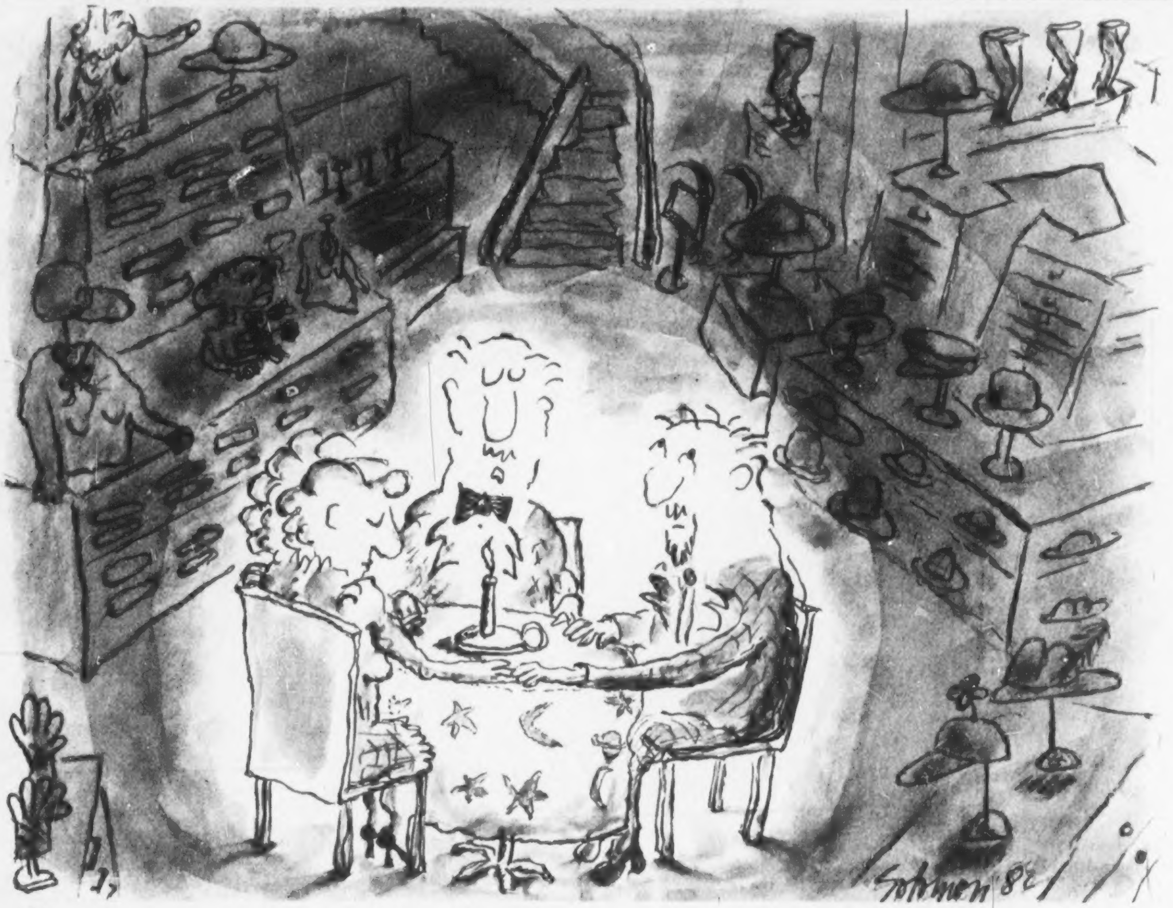


Aunt Nancy, are they going to start spending this year?

Will consumers cash in their chips in '83?

☐ Prospects for even a moderate first half recovery in 1983 appear to be sinking in the swelling unemployment rolls and declining industrial production. Retail observers, however, are quite optimistic, forecasting real sales growth and significant profit gains in the new year. The consensus—which has been a chorus recited since early 1982—is that consumers will sooner or later "spend us out of this recession in spades," as one analyst puts it.

Economists from Sears and K mart are predicting sales gains of 10% to 12% in 1983 along with a 3.5% to 4% general merchandise inflation rate. The general consensus is for sales gains of 6%-8.5%. (As of last November, general merchandisers were experiencing little if any real year-to-date sales growth.) But the big story is a brighter profit scenario which has emerged from a year of belt tightening and improved inventory management.

Retail observers are optimistic, forecasting real sales growth and significant profit gains for '83.

"It doesn't take much in the way of sales gains for retailers to leverage earnings strongly," Paine Webber analyst Stuart Robbins explains. "We have the tightest inventory positions we've had in two years. [Retailers] came into the fall of '82 with inventories growing at a slower rate than sales gains. So markdowns are going to be lower regardless of what the consumer environment is like. Secondly, management has generally done a good job in budgeting their expenses.

"Retailers," Robbins adds, "will accelerate their earnings growth through the second quarter of 1983, outperform the market most of next year—if not the whole year—and have robust earnings. In fact, I would project that the average major retailer between January '82 and January '84 will increase their earnings 24% to 40%."

First National Bank of Chicago retail analyst Jon Goetzke agrees, but warns that a significant national retail recovery may take two years. "It's going to start slowly. The fundamental reasons people are not spending are not going to go away immediately," says Goetzke adding that sales will rise moderately in late spring.

But consumers continue to vex

retail soothsayers despite tax cuts, maturing All Saver accounts, lower debt ratios and single-digit inflation. There are good reasons why shoppers remain tightfisted, however. As Goetzke points out, "We're a consumer-oriented society, so the only time consumers don't spend is when they're real worried."

Since the early 1970's, consumers have weathered four recessions, double-digit inflation and interest rates, the economic crumbling of the nation's smokestack industries and record unemployment. Commerce Department chief economist Robert Ortner contends the United States is not "recession prone," but agrees that perception may alter consumer spending plans.

"If people have become worried that this economy is very seriously recession prone, that is, every year, every two years, we go back into a recession and unemployment goes up, that would tend to hold back spending," Ortner says.

Ortner and other analysts, though, downplay unemployment's bearing on consumer spending.

Commerce's Ortner *forecasts home furnishings/appliance growth in '83.*

Chains concentrate in high unemployment states

	Mich. (17.2%)*	Ohio (14.2%)*	Ill. (13.2%)*	Pa. (12.1%)*	Calif. (11.2%)*	Total U.S. stores	Five state % of total
K mart	86	87	90	84	115	2,396	19.3
Penney	66	84	59	66	165	2,101	20.9
Sears**	34	50	60	55	97	859	34.5
Wards**	17	11	23	22	55	389	32.9
Woolworth	37	74	88	92	95	1,306	29.6
Totals	240	306	320	319	527	7,051	24.3

**November 1982 unemployment %*
****1981 totals*
Source: *CSA* research

Ortner contends, in fact, that recent jobless figures (10.8% in November—the highest rate since 1940) are overstated because of an expanded work force. The "real" rate, he says, is about 6.5%.

Paine Webber's Robbins concurs. "In terms of the consumer's ability to spend," he explains, "it has less bearing than income growth, *employment* and other balance sheet factors."

But statistics depict a different picture. Adult male unemployment (the traditional bulk of the work force) was 10.1% in November which seems to dash the notion that blacks, teenagers and women distort the true jobless rate. In addition, New York-based The Conference Board calculates that 20% of the work force was unemployed at one time or another in 1982. Another 10%, The Conference Board has said, feel their jobs are in jeopardy.

And job prospects don't look much better in 1983 as economists forecast an unemployment rate as high as 9.8% through the end of the year. Also, Gross National Product (GNP) projections have been lowered to around 3%—the downside figure economists say is necessary to reduce unemployment. Some GNP forecasts, in fact, have been as low as 1%.

This trend does not bode well for retailers, especially those with store concentrations in high unemployment areas. For example, almost 35% of all Sears full-line units are located in five states (see chart) with unemployment rates above the national average. Ward closely follows with 32.9%, Woolworth variety outlets at 29.6% and K mart at 19.3%.

Regardless, retailers and analysts are confident consumers will unlock their healthy coffers.

"The consumer, credit-wise, is in an excellent position to buy right now and I think that is extremely healthy for the economy," says Sears Merchandising Group chairman Edward Brennan. "And it does mean when their attitude becomes more positive, they can move immediately into the market and start to buy."

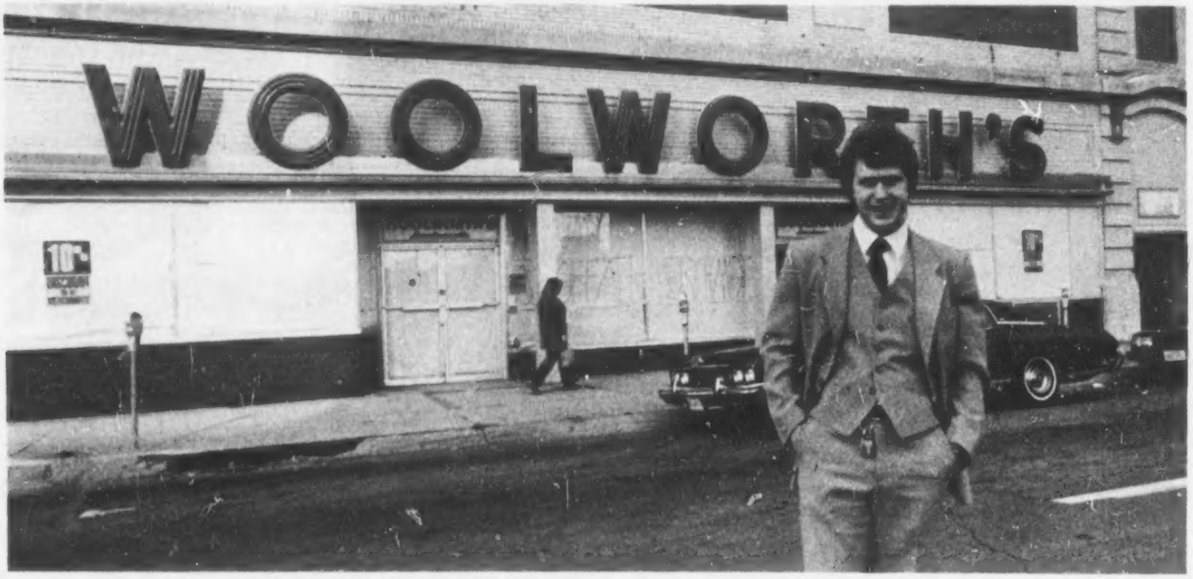
Brennan, for one, is buoyed by improvement in housing construction which could translate into sales for the soft big-ticket item sector. The Commerce Department has forecasted a 20% increase in housing starts for 1983. There are already signs of housing activity, in fact. October building permit applications were up 17.7%.

Some forecasters are already predicting a big ticket recovery. Jim Newton, chief economist at Management Horizons Inc., an Ohio-based retail consulting outfit, says "real" durable goods sales should top 10% in 1983, with strength in furniture and home furnishings.

Sears, in fact, has already recorded encouraging sales increases in appliances which Brennan attributes to the gradual release of "pent up demand."

"You'll see people make the move to spend more money, to make the move to increase their purchasing because they've been thinking the other way for so long and they're still in very good [financial] shape," Brennan predicts.

Stuart Robbins agrees. He says consumers have performed well un-



***Manager Devins blames** bad times for Woolworth's closing after 22 years.*

der the circumstances. "Given the level of unemployment, the lousy headlines, the summer doldrums, the lack of cold weather, the late Labor Day—the consumer has held up rather well in general merchandise."

Robbins adds that another encouraging factor is that "high awareness items" inflation (gasoline, food and apparel, for example) is at its lowest rate since the early 1960's. "Couple that with real income growth that is happening right now and you have a powerful spending incentive right there."

If consumers do spend, as most anticipate, retailers may be squeezed by tight inventories. The biggest challenge, notes Brennan, is "to manage inventories so they're more flexible." He adds that spot shortages could turn up as a result of conservative planning. "With the very high interest rates, none of us could really afford to gamble and make a huge investment in the anticipated recovery," he says.

Jon Goetzke warns that retailers should not overreact to sluggish economic trends. "You do not want to get in a tight situation where you could lose sales when things get better," he contends. "I think if business is stronger than expected, people could lose business because they're out of stock."

As is forecasting economic trends and consumer behavior, planning is a problematic craps shoot for merchants who anticipate the best, but plan for the worst. And 1983 could be the most confusing retail year yet, despite the rosy profit prognostications.

"Retailers are nothing more than gamblers in the sense they're trying to anticipate what [consumers] are going to buy," notes Goetzke. "But it's a hard job for a gambler to be in right now when the consumer has all the chips." □

Rockford hits rock bottom

□ Rockford, Ill., is a retailer's nightmare. That's what Bill Hendericks will tell you when asked how in the world a small-time variety store owner remains competitive in an unemployment-riddled industrial town.

"You don't compete," says Ben Franklin owner Hendericks as he holds up his red ink-dominated ledger. "You go out of business."

Many merchants have. Others, primarily chain stores, are engaged in margin-busting price promotions in a desperate effort to maintain sales. It's the only way, merchants say, to survive in a city with too many retailers (some 20 chain stores, alone) and too few shoppers. "Rockford was overstored during the last retail boom in 1979," says First National Bank of Chicago analyst Jon Goetzke, "and it's still overstored."

There are few economic puzzles here. A northern Illinois town with a 251,000 metro population, Rockford has flirted with a 20% unemployment rate due to its heavy concentration of manufacturing jobs. The jobless rate is so acute, in fact, that a local K mart recently received 1,500 applications for 100 new jobs.

Tom Devins can empathize with the jobless. He manages a Woolworth that is closing after 22 years in Rockford's now-depressed downtown shopping strip (known as Symbol Mall). The 14,000-sq.-ft. variety store—located across from an abandoned S. S. Kress—has never been a big money maker. But it has never been this bad. According to headquarters sources, this Woolworth, which has never grossed more than $450,000 annually since 1959, now takes in a paltry $350,000.

Devins, however, blames bad times for the store's demise, adding that prices will be slashed 10% every two weeks until Christmas. "Of all the places I've been, it's the worst economy I've ever seen," he says. "This place is going to pot."

Price and quality sway shoppers

☐ What criteria are consumers using when deciding where to shop housewares? Price, obviously, rates very high on the list. But quality plays an important role, too.

There has to be a balance between the two, points out a national consumer survey by *CSA*/Leo Shapiro & Associates, proving the retail adage "quality goods at a price" still holds true for most consumers.

Seven out of 10 consumers shop catalog showrooms and discounters for low prices and good discounts, notes the *CSA*/Shapiro data. Interestingly, K mart is not perceived as the lowest-priced discounter around. Nearly 1 in 5 consumers say other discounters beat K mart pricing in housewares.

The Big 3 are the only stores where quality tops price as the reason for shopping these merchants.

Though selection and quality received high ratings, good prices are the drawing card for department and specialty stores, too. This could be a consumer reaction to the nearly constant sales promotions at the keystone price stores level, often dropping price points to discount levels.

"I'm not surprised," says Kent Anderson, housewares buyer at Diamond's. "It's a key task for us to present quality, selection and service, but price seems to be the most important issue to customers. I don't know how we'll change that."

It appears that the Big 3 catalog chains, led by Sears, have developed that critical balance between quality and price in consumers' minds. Of all the retail outlets, the Big 3 are the only stores where quality tops price as the primary reason customers shop these merchants. Price, though still an important factor, has less of an impact. For example, Sears' lack of brand name products and distinct housewares image is offset by the quality goods image the chain projects.

***Dept. stores are moving** toward higher price point, better-quality goods.*

It is not surprising that discounters were rated low in both quality and satisfactory past experiences. A Midwestern discount store exec explains, "Consumers still perceive us as they did 25 years ago when discounters first originated. We had good prices on comparable merchandise but we were not as 'presentable' or service-oriented as department stores. Now we are just as good as department stores, especially with so many discounters upscaling [to name brand merchandise

Three out of four consumers shop discounters for price

	Discount stores	K mart	Other	Big 3	Sears	Ward	Penney	Dept. stores	Specialty stores	Mail order	Factory outlet	Catalog showrooms
Price/Discount	71.5%	63.2%	74.7%	20.6%	22.3%	28.5%	4.2%	43.2%	50.0%	61.4%	71.0%	75.4%
Selection	3.4	7.4	2.0	8.0	8.0	0.0	14.3	15.4	18.1	0.0	0.0	6.8
Quality	3.5	0.0	4.9	20.7	23.1	5.4	18.0	9.7	11.7	23.3	15.9	6.8
Satisfactory/Past Experience	2.0	5.7	0.7	14.2	14.0	28.7	4.3	12.8	2.8	0.0	0.0	0.0
Location/Convenient	14.6	18.2	13.6	11.7	13.7	10.9	0.0	13.5	4.4	8.8	0.0	4.8
Have Account There	0.0	0.0	0.0	7.4	2.0	20.9	29.4	1.1	3.9	0.0	0.0	0.0
Other	3.0	5.5	1.3	12.8	13.5	5.6	14.1	3.0	7.1	0.1	13.1	0.0
No Answer	2.0	0.0	2.8	4.6	3.4	0.0	15.7	1.3	2.0	6.4	0.0	6.2

Source: *CSA*/Leo Shapiro & Associates

and appealing presentations]."

It is eyebrow raising to note, however, that both department and specialty stores also trailed the Big 3. Like Filene's, many department stores have traded up their housewares businesses, weeding out low performers and investing in accepted quality lines. Filene's housewares dmm John LaMonte says that his store only carries brand names such as Krup, Braun and Simac which stand for quality in the eyes of consumers.

Perhaps quality is understood by those consumers shopping at the department and specialty stores. This seems likely considering the high rating these merchants received for selections. However, some speculate that they will have to remain highly price promotional to hold onto their market share.

Mail order was also rated high for low prices and quality housewares which should prove challenging to other retailers. However, consumers note one weak spot of mail order which is its limited selections; a strong point for department stores, specialty shops and J. C. Penney. Particularly at Penney's, assortments were built up in the past few years in a strategy to have housewares become a high-profile department for the now apparel-oriented chain.

Interestingly, no full-line store group overwhelmed the consumer in location convenience, but credit was a main attraction for Montgomery Ward and Penney's. However, at department stores and Sears, it appears that credit accounts are not the primary reason pulling customers into housewares. ☐

Coffeemakers brew replacement biz

☐ Though electric coffeemakers appear to be a replacement business in 1983, it promises to be highly resistant to economic distress. However, profitability of the classification may be pressured. Customers are shopping prices and are buying brand name items which tend to have lower margins.

According to retailers, the business will be mostly replacement with only a small per cent arising from new homes. T.G. & Y.'s hard lines mm Gary Broadhead sees the business as just that: the replacement of nonfunctioning units. Unlike food processors where customers step up to more advanced models while still having working units, Broadhead feels that there's nothing new to entice customers into trading up their coffeemakers before they need to. Once their machines break, customers do indeed step up.

A national consumer survey conducted by *CSA*/Leo Shapiro & Associates indicates that coffeemakers will be a large replacement business next year. Of the five housewares categories tracked (including microwave ovens, microwave bakeware, popcorn poppers and food processors), coffeemakers proved to be the least affected should consumers curb spending. This suggests there is a strong immediate need for the product, perhaps as replacement items.

In actual numbers, coffeemaker shoppers are equally divided between delaying and not delaying the purchase should the economy worsen, causing them to cut back spending. This leaves 50% of those planning purchases solidly committed to buying the products, again suggesting a strong consumer need for the product.

The survey also points out that the No. 1 reason consumers shop a store is for its low prices or discounts offered on coffeemakers. Merchants agree, noting that this has made the category extremely price sensitive. The *CSA*/Shapiro study shows that less than 15% of those planning purchases had no idea of price while the median price anticipated is $29. Approximately 2 out of 5 consumers expect the merchandise to retail between $26 and $50, a realistic range say the retailers.

Drip coffeemakers will snare the lion's share of the market. Almost unanimously merchants say their No. 1 brand is Mr. Coffee followed by Norelco and General Electric.

The *CSA*/Shapiro statistics confirm the merchants' suspicions that coffeemaker shoppers are very brand conscious. Approximately two-thirds of all coffeemaker shoppers say they are planning to buy an advertised brand while only 6% mentioned a store brand.

Moreover, customers wanting the store brand were not as sure they'd actually buy it as were those shoppers wanting the national brand. Not one shopper in the market for a store brand was totally committed to the private label.

On the other hand, of those preferring an advertised brand, 27.6% say that's what they definitely want. Of that group, 25.7% say they definitely would not buy a store brand over a nationally advertised one.

Still, one-fourth of the coffeemaker shoppers remain uncommitted to a national brand. This presents a good opportunity for merchants to improve profits by selling comparable feature, higher-margin brands at competitive prices. ☐

Name's the game in food processors

☐ Names. To some consumers they connote quality while to others they are a status symbol. But no matter what product brandishes it, consumers like names. They wear them on their jeans and sleep with them decorating their sheets. And now they even insist on buying "prestigious" food processors.

In a recent *CSA*/Leo Shapiro & Assoc. consumer study, food processor shoppers shaped up as highly

Cuisinart still dominates *the market in the upper price points.*

We've made it to the top by keeping up appearances.

© Clairol Inc.

What to look for in a roller when you can't see the difference.

On the outside, most people can't see the difference between Clairol's Kindness' roller and everybody else's.

Which disappoints us, because if you look very closely, you'll see that ours has gentle ribs and raised rims for smoother, tangle-free sets.

But the biggest difference is the one you can't see: the inside.

This heated roller is plastic to the core.

Clairol gives you an inner core that holds heat longer.

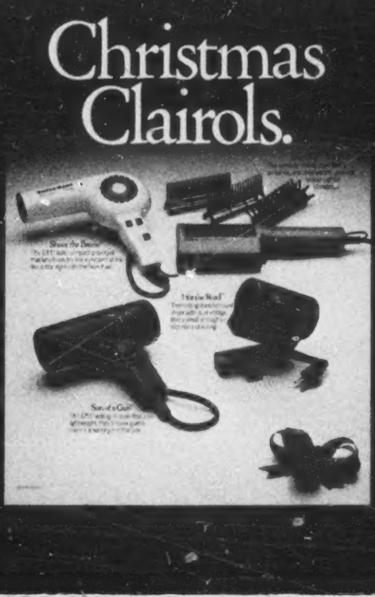
Clairol rollers have an exclusive high-energy inner core. They keep more heat longer than all-plastic rollers, give you maximum curl power, and leave your hair with twice the body it had before.

Now that you've seen Clairol's inside story, you know that there really is a difference between rollers. It's the difference that has made Clairol America's #1 hairsetter.

Clairol Appliances.
The power to make you beautiful.

The days are long and time is short for the woman on the go, but life can still be beautiful 'cause busy women know

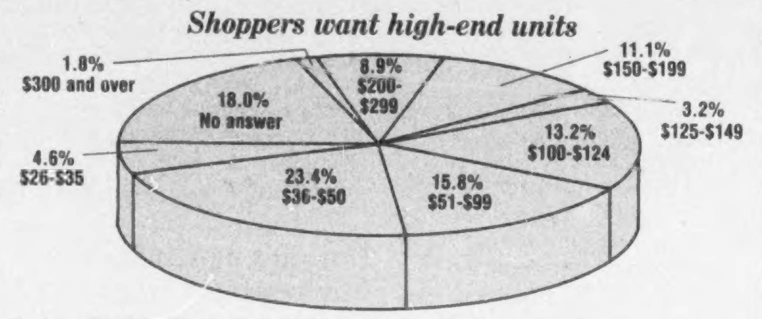
Clairol has the power to make you beautiful.



Christmas Clairols.

brand conscious, perceiving the average price of one at $91. Considering that the majority of models available retail between $40 and $75, the data suggests customers prefer the high-end goods made by less than a half-dozen manufacturers such as Cuisinart and Robot-Coupe.

In fact, 54.3% of the shoppers polled want an advertised brand name while only 14.4% want a store brand. Of those wanting a store or advertised brand, one-fourth say they definitely want the brand they mentioned. When the sample is narrowed to just those naming an advertised brand, those who definitely want the name mentioned increases to 30.6%. This was the second strongest reaction to name brand merchandise of the five housewares items reviewed.



Source: *CSA*/Leo Shapiro & Associates

Merchants concur with the data. Sage-Allen's housewares buyer Steve Brody says that Cuisinart still dominates the market in the upper price points but Moulinex's La Machine does well at under $50. As Brody sees it, the market penetration is high for all food processors but sales continue to grow. Some consumers are replacing their current food processors with higher-end units while new purchases are being made in both the higher and lower price points.

Of those polled in the *CSA*/Shapiro study, 5.6% bought a food processor last year. Additionally, without any overly aggressive promotional campaigns, 1.6% of the total sample is predisposed to buy one during 1983 and nearly 1% has already shopped this merchandise in recent months. If economic conditions cause these shoppers to cut back on spending, approximately 2 out of 3 shoppers will delay this purchase. However, that still leaves one-third of the market as good prospects.

Moreover, the survey shows that discounters will garner most of the

Clairol Appliances.
The power to make you beautiful.™

The appearance of our customers is important to us. But so is the way we appear to them. So we spend more on advertising than any other beauty appliance company.

From hairsetters to foot massagers, our products have been supported with ads that give them a fresh, exciting appearance.

In 1981, we ran 53% of all advertising for hair dryers; 86% for foot massagers; 65% for lighted mirrors; and we ran 94% of all advertising for hairsetters.

Spending more on advertising than our competitors helps keep Clairol at the top. After all, the better we keep up our appearances, the more women will appear in your store asking for Clairol.

Clairol invents CareSetting.

Hairsetting that actually takes care of your hair.

Clairol Appliances.
The power to make you beautiful.

After the game step into a great idea.

The Foot Fixer by Clairol

The True-to-Light mirror.
When the color's right, you can't go wrong.

Clairol Appliances.
The power to make you beautiful.

food processor business by racking up 28.7% of the market. K mart accounts for roughly one-fourth of those sales.

The rest of the business comes from department stores, 19.4%, and the Big 3 catalog chains, 17.8%. Sears contributes all but 0.8% of the mass merchants' total while Penney grabs the rest. One-fourth of all shoppers remain uncommitted to a store, providing yet another chance for retailers to increase market share.

The main differences between where food processor customers will shop and where they previously shopped are that full-line department stores, Penney's and Montgomery Ward, lose business to the discounters and catalog showrooms take a plunge. Last year, catalog showrooms accounted for 11.6% of the total market while the survey pegs future sales at 7.5%.

Shoppers overwhelmingly say that low prices are the first consideration for selecting the store they plan to shop for this item. Other reasons include quality, convenient location and selection. ☐

Housewares really cooks at Dayton's

☐ Dayton's recently brought a new housewares concept to full boil after letting the idea simmer and thicken for over a year. The concept creates a specialty store atmosphere in housewares called "the Marketplace at Dayton's."

Housewares items are merchandised in four shop-like areas designated by product end-use—food, preparation, serve/entertainment, storage. Tried and true in other department stores, such as May Co.-Los Angeles, this type of presentation eases shopping by making it less confusing for customers. Additionally, the marketing strategy incorporates the logo in signing, advertising and on packaging such as bags and boxes.

"It [the concept] gives us an umbrella to develop a housewares image under," says divisional vp/George Collins, likening the look to Macy's The Cellar concept. However, he adds, "We're not trying to be a New York store in Minneapolis."

Joel Kaplan, home furnishings fashion coordinator, explains that Dayton's won't have the enormous selections found in The Cellar. Instead, he says, "We're targeting for the best merchandise to make each statement."

Dayton's new concept, the Marketplace, creates a specialty store atmosphere in housewares.

Prior to instituting this new strategy, the 16-unit Minneapolis-based retailer took a close look at its market. The research revealed that the Twin Cities had a strong future due to the new City Center and extensive skywalk system in downtown Minneapolis and the Town Square Center in St. Paul. Additionally, it showed that Dayton's market included two million-plus people generating over $10.5 billion in retail sales.

The data also pointed out that the Twin Cities' market has a younger population compared with the national average. In particular, the Minneapolis/St. Paul area boasts 17% more people in the 25- to 34-year-old age group—a key factor in the housewares market. As a matter of fact, a study conducted by *CSA*/Leo Shapiro & Assoc. shows that on average more than 25% of the housewares market falls within these age perimeters. Furthermore, Minneapolis' median income, $22,788, is higher, notes Dayton's research, while the Census Bureau

Discounters fight for bin sales

☐ "If you can't stand the heat, get out of the kitchen" is the philosophy many department store merchants are adopting when it comes to plastic stackable bins. Among those retreating is Horne's, where dmm Dudley Clark explains, "We used to carry them but volumes began eroding so we got out."

Once a high-volume, good-margin item, plastic bins now generate mediocre sales for many upstairs housewares departments. Yet 14% of those shoppers who have bought these items within the past 12 months say they will buy them again, notes a *CSA*/Leo Shapiro & Associates consumer study. This suggests that consumers are satisfied with the merchandise, but not with department store prices.

Merchants concede that plastic storage bins have become an extremely price-sensitive classification due to tough competition. But despite the low margins, discounters have aggressively fought for a chunk of this high-volume business. Allan Sherman, Gold Circle's dmm/vp home furnishings reveals the discounters' main weapon: "Mass merchants promote it more often [than department stores]."

The *CSA*/Shapiro survey proves the discounters' efforts have not been in vain. They have successfully positioned themselves as the No. 1 source for plastic storage bins.

Nearly 1 in 3 shoppers planning bin purchases say they will buy at a discount operation while only 3.5% mentioned department stores. The rest of the consumers will shop for these products at grocery stores (14%), hardware stores (10.5%) and other retailers (5.3%), leaving more than one-third of the prospective shoppers undecided as to a store. With consumers perceiving the median price tag at $3.90, according to the *CSA*/Shapiro figures, and with merchants noting that these items are generally multiple purchases, this could mean substantial business to the shrewd merchants who pick up the remaining market share. ☐

***Consumers seek the** same quality graphics and control units found in arcades.*

Consumers taking the arcade home

☐ "Without a doubt, arcade translations—I don't want to call them knockoffs—are the hottest-selling video game cartridges," says Sears buyer Tom Bell. As a matter of fact, at the beginning of December, half of the Top 10 games were arcade items, according to *Billboard's* biweekly tracking of the industry.

Duplicating arcade action at home is an increasingly important part of the video game business. Consumers are demanding arcade games more than any other single category, and they want the same high-quality graphics and control units that they find in the commercial arcades.

And while more game units are sold for use with Atari's 2600, there is growing demand for the superior third-generation graphics available with Atari's new 5200 Home Entertainment System, ColecoVision and Mattel's Intellivision. "About 20% of our unit sales are for these second-generation systems," says a store source at Oklahoma City-based John A. Brown.

"There is a certain percentage of players who are really serious about the games," adds Sears' Bell. "These customers want the best console available. They are also very interested in higher-quality joy sticks and track-ball controllers."

At Dayton's in Minneapolis, buyer Jim Brinkman says about "10% of our sales are in accessories." Because of the specialized nature of these accessories, there hasn't been quite the footballing of prices that has taken place with the game consoles themselves. Department stores appear to be raking in gross margins of 50% and more for such items as Wico's Command Control Joystick and Track Ball Command Control.

Virtually all retailers agree that this upscale market will gain in importance as consumers upgrade their consoles and more sophisticated game cartridges come into the market. "Right now, it's a horse race between Atari's 5200 HES and ColecoVision," says a New England discount store buyer. "But I think once Atari brings out its adapter so games for the 2600 can be played on the new machine, the 5200 will be the big winner."

Brinkman adds that the "Atari name will have a lot to do with it. It's really almost a generic term now."

Even though Atari appears to have the edge, most retailers say they will continue to stock the other systems as well. "The potential market is so big, it's staggering. All of the main-line consoles are going to pick up enough sales to earn their place in the stores," says a Sunbelt discount chain buyer.

Despite the tremendous growth in demand for better-quality consoles, prices of the upscale units are already taking a beating. Mattel's Intellivision console was promoted for $149 (after a $50 rebate from Mattel) at Norwalk, Conn.-based Caldor and other discounters during the Christmas season. Both the Atari 5200 and ColecoVision were selling below $200 at year's end.

Retailers note, though, that top cartridges, while softening in price, are still moving like hotcakes with price points over $30. "As long as new cartridges keep attracting the consumers the way they do, there is a decent profit to be made," notes a store source at Intellectrix, a video game/home computer specialty chain located in the Southwest. ☐

Audio sales down, but demand is hot

☐ For the third year in a row, sales of home audio systems continue to hold their own, but little more. Yet, in a *CSA*/Leo Shapiro & Associates study of consumer buying plans, stereo systems rank high among potential purchases.

A surprising 7.4% of survey respondents say they purchased a home stereo item last year and 4.1% say they might buy audio equipment in 1983. Over half of potential buyers have already begun shopping, according to the survey, but it may take some time before this interest translates into sales.

Because of the relatively high prices for stereo equipment, retailers say their customers shop longer before deciding to buy. "They've got a pretty good idea of what they want," notes a Sunbelt department store electronics merchandiser, "but our customers take a while to convince themselves to spend the money."

CONSUMER ELECTRONICS

The baby boom generation, to whom music is a vital part of life, is the most important group of consumers for home stereo items. While making up only 35.8% of all survey respondents, 64.2% of potential buyers are age 34 or younger.

But these "children of the electronic age" are also the target market for video recorders, portable stereo/headphone combos, home computers and the myriad of other electronics products in stores today.

Relatively high prices of stereo equipment force consumers to shop longer before deciding to buy.

"There's so much competition for their discretionary dollars, that something has to lose out," notes a store source for a suburban New York J. C. Penney store. "Right now it's home audio."

This source adds that even though most stereo equipment is purchased on the chain's long-term time payment plan, consumers are "being more cautious about putting together a $1,000 system in one shot."

While high-ticket components began to show some improvement in sales toward the end of 1982, most shoppers are planning on spending less than $500 for a stereo system, and one in three expects to pay between $200 and $399, according to the *CSA*/Shapiro poll.

***GM chains remain** a potentially strong source for home audio systems in '83.*

This concentration on moderate price points may force GMers to reevaluate their product mixes. Already, Caldor, the 79-unit upscale discount chain, has reduced its commitment to high-ticket, high-quality stereo components from Pioneer and Sony. Launched slightly more than a year ago, the trade-up experiment failed to produce the expected volume. Other discounters, and even some department stores, have also reallocated inventory dollars to faster-moving products like video games and home computers.

General merchandise chains, however, remain a potentially strong source for home audio systems. While electronics specialty stores were cited by 31.4% of the potential buyers queried by Shapiro, compared to 23% who say they will shop a chain, for those who actually bought last year the pattern was reversed. GM chains garnered 51.4% of purchases, leaving 43.1% to the specialists.

Baby boomers dominate home stereo market

Age	% of polling base	% of buyers	% difference
Under 20	2.0	5.2	+ 160.0
20-24	10.2	22.7	+122.5
25-29	12.6	16.5	+ 30.9
30-34	11.0	18.6	+ 69.1
35-39	10.6	10.3	− 2.8
40-44	8.0	5.1	− 36.3
45-49	7.8	6.2	− 20.5
50-54	6.7	3.1	− 53.7
55-59	7.0	6.2	− 11.4
60-64	7.3	1.0	− 86.3
65 and over	16.8	5.1	− 69.6

Source: *CSA*/Leo Shapiro & Associates

This shift may be repeated this year as the most important reason for picking an outlet is low price. Quality, which rated second, was mentioned half as often as price.

Quality, or the perception of quality, though, is important. Only 10.5% of shoppers say they plan on buying a private label home stereo in 1983. Nationally advertised

TIMEX PERSONAL COMPUTER MADE SIMPLE
SIGNET
AS ADVERTISED
GUSDORF COMPU-TABLE
AS ADVERTISED
COMPUTER CARTRIDGES
SALE 28.40

***Caldor's computer center** (above) concentrates on working models, peripherals and software.*

brands chalked up a high 63.3% of mentions.

Despite this preference for nationally branded merchandise, more than a third of all potential purchasers say they will seriously consider a store's own brand, while a further 15.8% note they may buy a private label item. ☐

Software is key to computer profits

☐ General merchandise chains are already well on their way to taking the lion's share of home computer sales. However, cutthroat competition is making this an empty victory. Price cutting of computer consoles has reduced margins to less than 20%, and promotional events regularly feature the Atari 400, Commodore VIC-20 and Texas Instruments 99/4A only a few dollars above retailer cost. "These computers are following the path of just about every product in the electronics business," notes a store source at a suburban New York J. C. Penney outlet. "As soon as they catch on, everybody beats the price to death."

The situation for computers is almost identical to that of video games. Retailers are selling the consoles at the lowest possible price in the hope that they will be able to balance their margins with increased sales of software programs and peripheral accessories.

Already, pioneering discounters and dept. stores are realigning their merchandising to emphasize higher-margined software packages instead of mainframe units.

Target, Dayton Hudson's 160-plus-unit upscale discounter which began carrying Atari 400 computers a year ago strictly as a cash-and-carry item, has instituted a complete point-of-purchase program aimed at producing "package" sales of both hardware and software. Using Target-developed signing, in contrast to most discount chains where manufacturer displays are the rule, the program is in "virtually all stores," according to a company spokesman.

Although no figures are available, the program appears to be paying off in sales of software, as well as sales of Atari 400 and Texas Instruments 99/4A computers.

Taking up only 12 linear feet against the back wall of the consumer electronics department, the display consists of operating models of each of the two computers carried, plus a wide selection of the most popular software program titles.

For the Atari 400, priced at $259.99, the emphasis is on game and educational programs like Superbreakout and Conversational German, both priced at $32.99. In addition, there is a selection of titles from the Atari Program Exchange Inc., priced between $14.49 and $26.99. The Program Exchange consists of user-created software packages for the 400.

The Texas Instruments 99/4A display features that company's Speech Synthesizer free when the consumer buys six command cartridges. The programs themselves are distributed between subjects like Personal Record Keeping and Household Budget Management, video games, including TI Invaders

Older ‘kids’ heat up craft/hobby area

☐ Retailers are reporting strong sales growth in their craft/hobby departments, stemming, they say, from a new interest group. With more and more of the younger hobbyists spending their dollars on video and electronic games, at the expense of craft/hobby kits, adult hobby enthusiasts have been pulled into the market.

Crafts scored the highest sales percentage gains in 1981, as reported by the Hobby Industry Association of America. Crafts volume rose 10.4%, reaching $1.26 billion, accounting for 36% of the total industry retail sales of $3.5 billion. By comparison, the dollhouse furniture/materials category fell $20 million, to $110 million, during the same time period.

Product demand among adults has changed and expanded the look of traditional crafts depts.

Richard Bennett, director of communications of the Hobby Industry Association of America, says, “Popularity in craft/hobby items currently is resulting from adult market interest. Those products geared toward the young market, especially toy-related products, have been hit hardest.”

***Selection/assortment** rated above price when deciding where to shop for crafts.*

Product demand among adults has changed and expanded the look of traditional craft departments. Craft/hobby assortments have been beefed up with the addition of craft patterns, soft sculpture, candlewicking, counter cross-stitch, stamp goods and needlepoint kits. These classifications are realizing the strongest sales gains, say retailers.

Merchants have accommodated these expanded assortments by either scaling down or eliminating more traditional classifications—crewel, embroidery, candle making, picture frame and flower arranging kits.

With craft patterns and craft kits meeting a greater variety of needs, for personal and home use, retailers are borrowing the “concept selling” method, normally used in fashion apparel and domestics departments, to build their home decorative craft business.

Connecticut-based Caldor has been experimenting with the home decorative category and is getting positive results. “We are featuring craft patterns along with more fabrics that can be used for both apparel and home decorating needs—mini-prints, calicos and ginghams,” says a store spokesman.

The combination has helped Caldor’s home dec category score a 10% sales increase over 81’s volume figure. Currently, the craft/yarn category produces about 33% of total volume for the entire sewing/craft/fabric department for this 74-unit discounter.

“Weeding out slow movers, like higher-priced latch hook kits, and adding more coordinated trimmings and notions has helped to increase add-on sales,” says the store spokesman.

“Playing off fashion color schemes similar to the domestic/housewares areas has stirred interest in the craft stitchery category,” agrees a spokesman for Abilene, Kan.-based Duckwall-ALCO. “Pastel and multicolored kits in the mid- to upper-price ranges, $3.47 to $10.97, have been selling well.”

HOBBIES/CRAFTS

***The craft patterns category** has more than doubled over the last two years.*

Some retailers, prompted by keen consumer interest, are expanding the craft category, confident demand will remain strong.

California-based House of Fabrics offers crafts in 168 of their 600 stores. While the typical craft department size is only 300 sq. ft. to 400 sq. ft., management initiated a "craft testing department" in 8% of their craft stores late in '82. These test stores will carry 65% more craft inventory than other craft stores. Mid- to high-priced merchandise in counter cross-stitch, cross-stitch, needlepoint stitchery kits, along with a wider selection in embroidery threads will be part of the beefed-up inventory. Through close monitoring and frequent adjustments in merchandise selection the test will determine which craft goods will permanently be incorporated into all 168 units.

"Currently," says House of Fabrics buyer Chet Kubesczko, "Counter cross-stitch and needlepoint kits, between $4 and $12, are selling well."

Selection important: James Ritz, buyer for York, Pa.-based McCrory's, thinks, "being successful in the craft area means a good selection at the right price, all year round." Ritz maintains his customers are more interested in choice of product rather than just price. He attributes customers' growing interest in crafts to not just one, but many classifications.

Topping this shift, when McCrory's kicked off its Christmas craft merchandise in July, new classifications were included. Along with the traditional Christmas ornaments, the craft department featured some new quilt-making and needlepoint kits, as well as a new leg warmer kit to knit or crochet. These items gave the early bird gift giver a jump on the selling season.

Iris Dinneen, buyer for Raggs To Stitches, a California-based specialty store, says, "Our craft pattern assortment has expanded by 75% over last year's selection. While sales in apparel patterns have begun to decline a bit, interest in the craft pattern category keeps increasing."

Dinneen thinks people find handmade crafts to be a good gift item. "Our decorative and creative craft classes always bring in the highest attendance," she says.

Split personality: The popularity of craft/hobby merchandise lies in the duality of the category. Crafts can be both fun to create and, once the item is produced, it can be quite useful.

"People like to know something they have made is both useful and attractive. It is a good feeling," says Meredith Long, buyer for Oklahoma-based T.G. & Y.

Merchants agree kits for personal use, such as sweaters, scarves, bags, aprons, hosiery (leg warmers), and children's puppet, doll and costume patterns, have generated much of the excitement in their craft departments.

Crafts score with older market

Age	Bought/might buy in coming year
Under 20	1.8%
20-24	11.4
25-29	12.8
30-34	13.4
35-39	18.6
40-44	9.3
45-49	9.0
50-54	6.2
55-59	4.0
60-64	7.5
65 and over	6.0

Source: *CSA*/Leo Shapiro & Associates

No doubt, economics do enter the picture when consumers decide to make-it-themselves. But not only saving money encourages consumers to create. The sense of accomplishment, ability to specialize a product (tailoring it to individual needs) and the time spent during production are all factors.

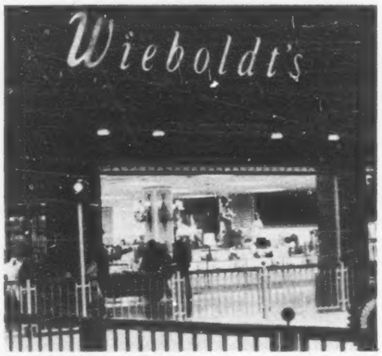
"Preprinted dolls and puppet kits are flying out the door," says a spokesman for Bentonville, Ark.-based Wal-Mart. "A low price tag is part of it, but I think the enjoyment a mother and child get while making the doll is what keeps the item selling."

"Customers like using a favorite fabric to make pillow and table runners to complete the look they want," adds a Caldor buyer. ☐

Home sewers aid craft/hobby sales

☐ Home sewers have been boosting craft/hobby sales, say retailers. It seems these make-it-yourselfers, once having conquered their first few battles with fabric and a needle and thread, are more likely to experiment with their talent.

FINANCIAL NEWS



Fears mount that chmn. *Schottenstein will shutter ailing Wieboldt's.*

Despite assurances, fears for Wieboldt's

In the wake of a hard-fought proxy battle for control of Wieboldt's, fears heightened that the victor, retail liquidator Jerome Schottenstein, would shutter the 14-unit, Chicago-based department store operation.

Schottenstein's four-candidate slate took the reins of the troubled chain's seven-seat board of directors with the other three board votes going to Wieboldt's management. One week after the election, Schottenstein was named chairman.

In announcing the election tally, David Keller, Wieboldt's pres./ceo who won re-election to the board and was retained along with other top management, emphasized that Schottenstein was committed to "revitalizing Wieboldt's and to preserving it as a healthy, profitable, going concern." However, Schottenstein was equally sure of salvaging Halle Brothers, which he took over a year ago and subsequently closed last summer.

Wieboldt's, which stresses apparel (approximately 65% of volume) at moderate and better price points, reported a paltry 7.2% jump in sales in 1981, primarily attributed to two additional stores. The operation lost $2.8 million during the first three quarters of '82, but Keller predicts it will break even this year. Most market watchers feel Wieboldt's must hit this target if the store, celebrating its Centennial this year, is going to be around to start its second century in '84.

Earnings accelerate in third quarter

	3rd Quarter (000 omitted)			9 months (000 omitted)		
	'81	'82	% change	'81	'82	% change
Penney	86,000	77,000	− 10.5	180,000	189,000	+ 5.0
Sears[1, 2]	74,500	80,900	+ 8.6	90,500	144,300	+59.4
Ward	(63,000)	(38,000)	—	(138,000)	(109,000)	—
Subtotal	97,500	119,900	+ 23.0	132,500	224,300	+69.3
K mart	14,000	30,100	+115.0	105,300	96,600	− 8.3
G. C. Murphy	2,519	2,855	+ 13.3	5,368	4,813	−10.3
Rose's	1,267	1,768	+ 39.5	3,765	4,230	+12.4
SCOA (Hills)	7,558	9,109	+ 20.5	10,437	12,458	+19.4
Wal-Mart	18,673	26,692	+ 42.9	48,677	68,639	+41.0
Woolworth[3]	18,000	14,000	− 22.2	43,000	12,000	−72.1
Zayre	7,400	11,800	+ 59.5	9,700	16,400	+69.1
Subtotal	69,417	96,324	+ 38.8	226,247	215,140	− 4.9
Allied	10,000	12,700	+ 27.0	29,900	20,100	−32.8
Associated Dry Goods	10,188	8,172	− 19.8	17,871	13,855	−22.5
Carter Hawley Hale	6,817	4,720	− 30.8	20,103	11,732	−41.6
Dayton Hudson[3]	31,933	38,054	+ 19.2	63,448	80,848	+27.4
Federated	51,600	39,700	− 23.1	128,500	90,400	−29.6
May Co.	18,900	26,700	+ 41.3	55,100	58,800	+ 6.7
Mercantile	12,899	16,645	+ 29.0	28,917	35,637	+23.2
Subtotal	142,337	146,691	+ 3.1	343,839	311,372	− 9.4
Cole National	(1,506)	(1,139)	—	(3,123)	(1,604)	—
Oshman's	920	368	− 60.0	3,039	1,389	−54.3
Toys "R" Us	3,182	4,734	+ 48.8	7,021	11,681	+66.4
Subtotal	2,596	3,963	+ 52.7	6,937	11,466	+65.3
The Gap	5,461	6,351	+ 16.3	5,949	7,725	+29.9
The Limited	7,135	10,684	+ 49.7	14,247	20,181	+41.7
Miller Wohl	4,700	3,000	− 36.2	12,800	10,000	−21.9
Subtotal	17,296	20,035	+ 15.8	32,996	37,906	+14.9
Total	329,146	386,913	+ 17.6	742,489	800,184	+ 7.8

[1] *Consolidated operations only*
[2] *U.S. merchandising only*
[3] *Continuing operations only*
(   ) indicates loss.

Source: *CSA* research

LIFO lifts K mart third quarter net

Overall earnings accelerated in the third quarter (+17.6%) compared to the first three quarters of the year (+7.8%), based on *CSA*'s tracking of 23 chains. But the signs of recession and disinflation popped up everywhere, clouding the picture of profitability.

Just 13 of the 23 companies scored higher percentages of improved year-to-year comparisons in the third period vs. the first nine months. As groups, the Big 3, hard lines specialty chains and soft lines chains failed to beat year-to-date performances.

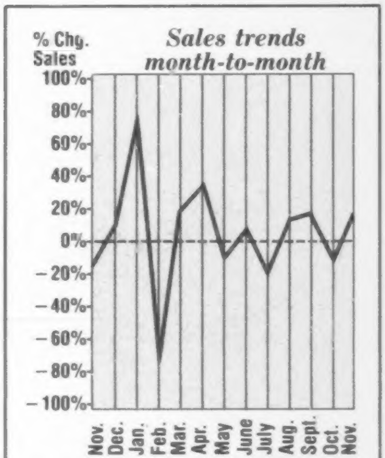
The largest quarterly increase came from K mart, but it was a paper increase. K mart's 115% upshift, which resulted in per share earnings of 24¢ vs. 12¢, resulted from nonoperational factors. The discounter had just a 4¢ per share LIFO charge vs. 21¢ a year ago. In addition, the company incurred just $10.6 million in interest expense against $27.1 million a year ago. Thus, K mart actually had a worse quarter than in '81.

Department stores continue to show softness, further evidence that they are finally suffering from lower buying resolve by their customers.

Merchandising profits at Sears cooled off considerably, an indication that it may have reached the point where expense control will no longer be able to compensate for paltry sales increases. Montgomery Ward's lower losses may indicate that its expense control program has not reached the limit as yet.

Slower growth marks K mart's Nov. plunge

November brought more bad news for K mart as the nation's largest discounter posted its fifth month of sales declines in 1982. Company officials, for the first time publicly, placed the blame for the poor sales performance on a "reduced store opening program." In recent years, K mart's growth was primarily the result of expansion.



Composite of sales trends (increases or decreases) from month to month for the 20 retail companies tracked by *CSA*.

Overall, retailers tracked in *CSA*'s sales survey posted a meager 5.8% increase and a 4.8% hike for the first 10 months in 1982. The small increase, observers noted, was discouraging given that November 1981 was the poorest sales month that year.

Department store sales results were mixed. Dayton Hudson's department store group was up 6%; May Department Stores posted an 8.8% store-for-store increase; Carter Hawley Hale increased 7% (including the specialty store divisions) and Mercantile's November sales increased 14.8%.

K mart was the big story, however. Despite operating 16 more stores than the same period a year ago, sales dropped 3.8%. K mart's year-to-date sales were up only 1.6%, from $12.8 billion to $13 billion. "The reduced store opening program in 1982 compounded weak year-to-year comparisons for K mart," company chairman Bernard M. Fauber said in a prepared statement. Fauber also blamed "consumer caution" as well as an "aggressive promotional program" in November 1981 for the poor month-to-month comparisons.

A K mart spokesman denied that Fauber was criticizing the company's past growth-through-expansion strategy. She noted that the reduced store openings affected existing stores' sales. "There were fewer grand openings for existing stores to share in," she explained.

Meanwhile, Sears officials were in better spirits. Although the General Merchandise Group posted a small 4.8% increase, the latest results were the highest November sales hike in three years. Ten-month totals for 1982 were also up—2.3%—on sales of $16.1 billion.

November fare—yet another turkey

		NOV. SALES*		STORES		10-MO. SALES*		
MAJOR CHAINS	% change	1982	1981	1982	1981	1982	1981	% change
SEARS[1]	+ 4.9	1,811,089	1,726,603	839	858	16,132,746	15,773,420	+ 2.3
PENNEY	+ 1.3	1,129,000	1,115,000	2,068	2,101	9,100,000	9,117,000	− 0.8
WARD[1]	− 0.5	529,976	532,722	389	401	4,383,382	4,536,886	− 3.4
FEDERATED[5]	+ 10.2	606,800	550,800	377	N/A	4,864,700	4,497,000	+ 8.2
DAYTON HUDSON	+ 14.2	511,894	448,252	982	911	4,147,981	3,643,366	+ 13.9
MAY DEPT. STORES	+ 13.8	375,100	329,600	1,370	1,244	2,782,800	2,622,000	+ 6.1
CARTER HAWLEY HALE	+ 7.0	292,500	273,300	1,027	948	2,285,200	2,174,300	+ 5.1
MERCANTILE	+ 14.8	164,016	142,828	85	84	1,100,323	982,755	+ 12.0
K MART	− 3.8	1,378,046	1,432,645	2,424	2,408	13,011,467	12,808,429	+ 1.6
WOOLWORTH	+ 4.3	622,271	596,649	N/A	N/A	5,695,574	5,598,280	+ 1.7
HOUSEHOLD MERCH.[2,3,5]	+ 5.8	260,109	245,846	3,802	4,408	2,366,790	2,347,945	+ 0.8
WAL-MART	+ 33.8	352,000	263,000	551	462	2,634,000	1,865,000	+ 41.2
T.G. & Y.	+ 17.3	191,540	163,317	929	940	1,644,875	1,488,200	+ 10.5
ZAYRE[4]	+ 16.0	218,225	188,161	630	581	1,689,308	1,420,117	+ 19.0
MURPHY	− 5.7	69,032	73,170	423	442	644,217	630,802	+ 2.1
ROSE'S	+ 11.6	81,280	72,819	239	235	521,434	475,167	+ 9.7
MELVILLE	+ 20.2	292,502	243,396	5,487	5,149	2,717,525	2,296,363	+ 18.3
TANDY	+ 21.0	213,256	176,227	N/A	N/A	1,721,165	1,442,349	+ 19.3
EDISON BROS.	− 1.8	76,121	77,478	2,155	2,087	794,882	823,249	− 3.4
TOTALS & AVERAGES	**+ 5.8**	**8,983,217**	**8,488,496**			**76,593,494**	**73,054,428**	**+ 4.8**

**000 omitted. N.C. = no change. N/A = not available.*
[1] Store number for full-line outlets only. [2] Plus 2,830 franchise stores (vs. 2,936 a year ago). [3] Includes T.G. & Y. sales. [4] Includes 267 Zayre stores (vs. 260 a year ago), 277 Hit or Miss stores (vs. 257) and 86 T. J. Maxx stores (vs. 64). [5] Excludes supermarket sales.

Retailers tax break on charitable gifts

Good news for philanthropic retailers: The Internal Revenue Service now allows tax deductions up to 100% of cost for merchandise donated to charitable groups.

Earlier this year the IRS issued a revision of the 1976 Tax Reform Act which allows merchants to deduct current cost, plus one-half of the fair market selling price (up to 100% above cost). Under previous regulations, retailers were only allowed to deduct merchandise cost.

There are two important restrictions, however. One, if the merchandise couldn't be sold prior to the contribution (left-over stock from a store closing, for example), a full deduction is not allowed. Second, total tax deductions cannot exceed 10% of the firm's taxable income.

Off-price stores: a retail happening

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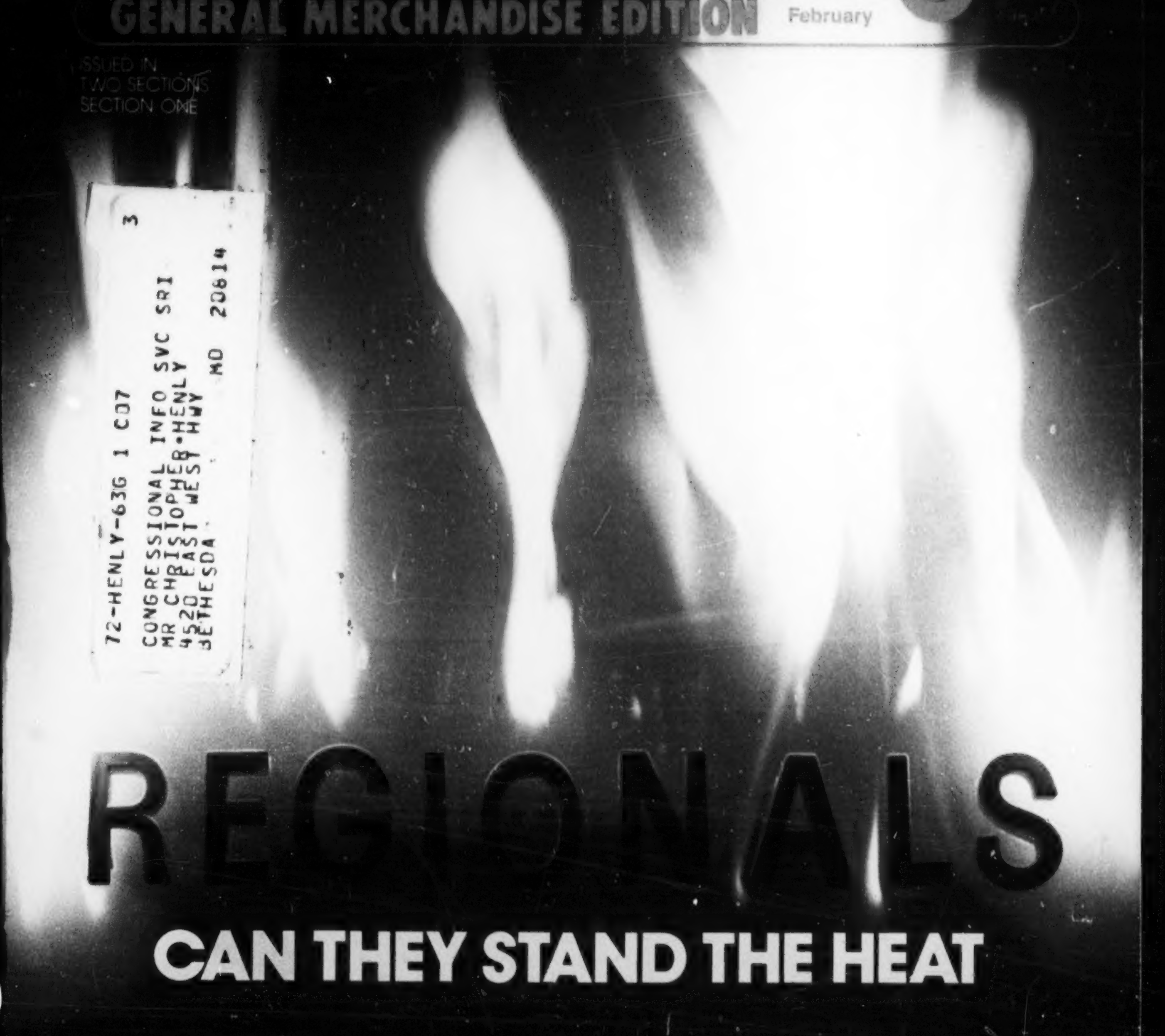

REGIONALS

CAN THEY STAND THE HEAT

TWO DOLLARS PER ISSUE

IN THIS ISSUE

Off-price happening

What do K mart, Dayton Hudson and Woolworth, among others, have in common? All have off-price ventures to one extent or another. Spurring this diversification is the promise of profitability for earnings-hungry GMers. Although industry growth projections vary widely, off-price diversification is a veritable retail happening 21

Regionals surviving?

Regional stores appear to be weathering the economic storms of the 1980's, despite the fact that they face tougher challenges than their national counterparts because of their smaller market base. And not only are the regional department stores, variety stores and discounters surviving, many are also outperforming the nationals 29

Back-To-School

Typewriter sales may be headed for a slump this year as potential buyers await better economic times. But retailers say this trend could reverse itself once low-priced electronic models reach mass distribution. Electronic portables and typewriter/computer combos may boost total sales by as much as 35% by the end of next year 70

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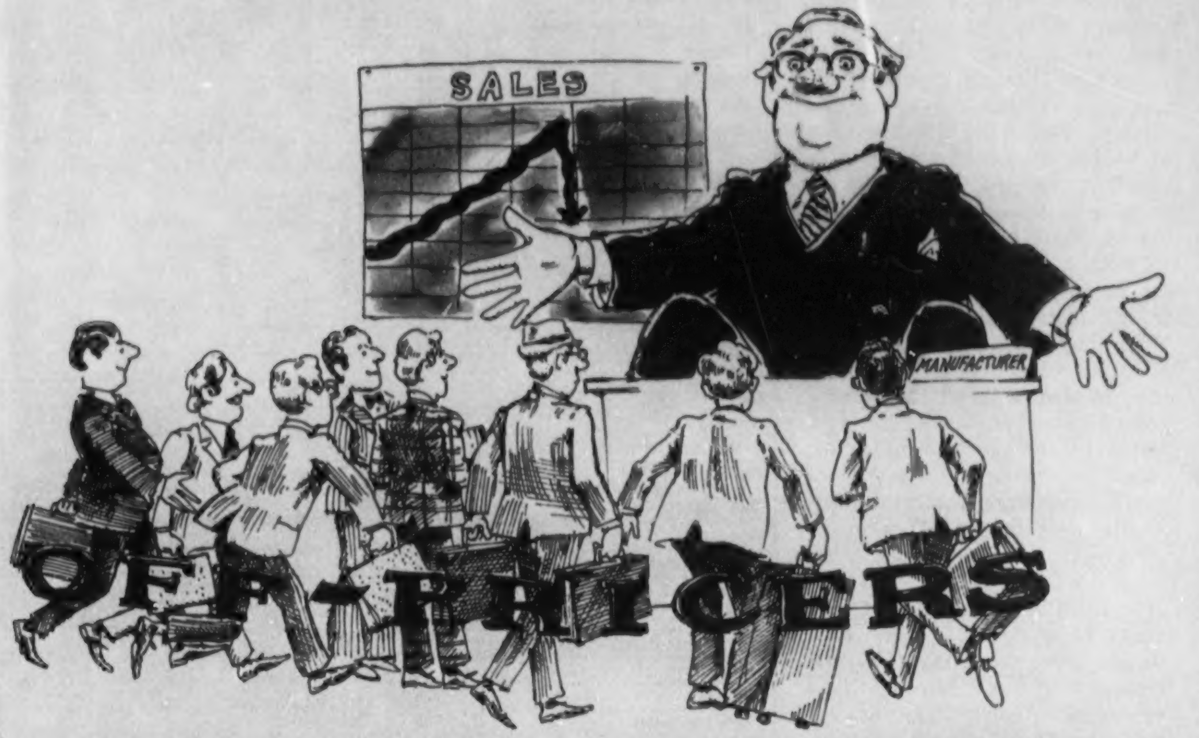
Chain Store Age



Off-price stores: a retail happening

☐ When Jim Dismore set off on a shopping expedition last June, he left Jackson, Miss., worried. Dismore wasn't sure how Seventh Avenue was going to react to his hunt for off-price apparel for a spin-off operation his variety chain, W. E. Walker Stores, was planning.

Spurring the move into off-pricing is the promise of profitability for earnings-hungry GMers.

"Initially, resources were not very responsive," Dismore recalls. "Once they realized our plans had nothing to do with our company directly, they were much more comfortable."

"We've gone from being thrown out to being invited back," says Greg Cichocki, mm for Gold Circle's off-price department commenting on vendor reaction to his inquiries about off-price deals. "It all depends on their problems. If the vendor needs off-price, we're welcomed with open arms."

Dismore and Cichocki are only two of the converts joining the flock of traditional general merchandise merchants "pounding the pavement," as Cichocki puts it, in search of opportunistic off-price apparel buys. Dayton Hudson, Carson Pirie Scott, K mart, Woolworth, Zayre, U.S. Shoe . . . all have off-price ventures to one extent or another.

Spurring this diversification is the promise of profitability for earnings-hungry GMers. With gross margins averaging 40% and annual turns pegged at nine times, off-price's gross margin return on investment (GMROI) rings up to 360.0. That is, for every dollar investment in inventory, the retailer reaps $2.60 in return. And numbers like that are bait enough to make off-price diversification a veritable retail happening.

How far the off-price shock waves will carry is anyone's guess, and industry projections vary widely. Consultant C. William Ress predicts off-price will grab 25%-30% of all brand name soft lines sales.

Over the next three years, off-price's compound sales growth will run at 16.2% annually, projects a just-concluded Management Horizons study. From 1986-90, this rate will accelerate to 16.6% per year. This pace would put off-price's share of the total apparel/footwear market at 9.2% by decade's end with volume climbing from $3 billion in '79 to $16.8 billion by '90.

"Recent developments, such as K mart's entry and Dayton Hudson's plans, could speed up penetration significantly," says John Lefler, Management Horizon's off-price analyst. Faster growth, Lefler adds, could drive off-price's share of apparel and footwear sales to roughly 20% by 1990.

But breakneck growth poses its own problems. Dr. William Davison, chairman of Management Horizons, notes, "Unlike video games, which are bringing new people into the business, off-price is not expanding demand for apparel. Off-price is growing by taking a share of the existing market."

Once off-price hits a market penetration level of 15% to 20% of apparel sales, Davison explains, competition will jump tracks from intertype—expansion at the expense of traditional GMers—to a toe-to-toe slugfest among off-pricers themselves. Pressures will mount to drop new stores into high-rent districts, beef up ad outlays and build store clusters to bolster market share as off-pricers elbow for a distinctive edge.

"In short," Davison predicts, "off-price will become like every other retailer with all the accompanying expenses."

Already, the pinch on costs appears to be tightening. An American Apparel Manufacturers Association poll found off-pricers averaged 4.1 employees per store in '81 and 4.8 in '82.

The right formula: "It's not very difficult to be successful today considering how relatively few [off-pricers] there are," notes Allan Pennington, Woolworth's exec. vp/marketing. "A lot of people are experimenting and the ones that hit the right formula first will succeed."

Experimenting has off-pricers scrambling for niches. Gold Circle's narrow and deep strategy in moderate women's sportswear was planned. "We went where the opportunity was," says George Rubin, sr. vp/gmm soft lines.

W. E. Walker's Price Connection test, set to debut in eight stores next month and highlighting sportswear, will feature moderate price points. "Blouses will be priced at $25 to $30 and down," Jim Dismore reports, "and slacks prices will be $35 and down."

Called Plums (with a tag line on all signing hailing the stores as 'The Elegant Discounter'), Dayton Hudson's three-store venture is also expected to bow next month in a reportedly upscaled format. The stores will combine "elements of both off-price and discount retailing," says corporate chairman William Andres. The emphasis will be on continuity in assortments with a mix of moderate to better apparel for women and men, with the exception of dress suits.

T. H. Mandy, described by most market watchers as the "Cadillac" of the off-price fleet, is as service-intensive as any other specialty division of its parent, U.S. Shoe. Corporate's other off-price entry, Front Row, is a multiclassification store. There are currently two Front Rows and U.S. Shoe chairman Philip Barach says 19 more could open over the next five years generating $250 million in volume.

With Final Cut testing activewear and Frugal Frank selling shoes, the centerpiece of Woolworth's off-price stable is *J. Brannam. While adding 30 Brannams over the next two years, chief exec Len Williams reports the new stores will be repositioned and upgraded and "we plan to go back and refurbish the existing stores. We've decided on a strategic position we want to take in the market and that's where we want to be."

Getting there, however, will cost. With an operating loss of $4 million in '81, Brannam has yet to hit the black after three years and Woolworth topsiders fear capital spending will hurt profit prospects this year.

This fast-track development is one reason John Cullen, exec. vp of Allied Stores, predicts off-price will peak in '84 as the industry quickly saturates the retail scene. But off-price's ability to revitalize last gasp

Opportunities knock, but niches may fill quickly

	No. of stores	% of total off-price stores	% of total off-price apparel stores	% of total off-price nonapparel stores
Women's apparel (total)	1,109	23.2	28.5	—
Dresses, coats, sportswear	990	20.7	25.4	—
Lingerie	52	1.1	1.3	—
Maternity	53	1.1	1.4	—
Outerwear	11	0.2	0.3	—
Uniforms	3	0.1	0.1	—
Men's apparel	211	4.4	5.4	—
Children's apparel	226	4.7	5.8	—
Men's and women's apparel	126	2.6	3.2	—
Family apparel	638	13.3	16.4	—
Family accessories (total)	76	1.6	2.0	—
Leather goods	43	0.9	1.1	—
Jewelry	11	0.2	0.3	—
Other	3	0.5	0.6	—
Activewear	79	1.6	2.0	—
Outerwear (total)	77	1.6	2.0	—
Family	27	0.6	0.7	—
Men's and women's	50	1.0	1.3	—
Footwear	1,351	28.3	34.7	—
Total apparel	3,893	81.3	100.0	—
Domestics	383	8.0	—	43.2
General merchandise (total)	100	2.1	—	11.3
Chain store outlets	16	0.3	—	1.8
Other	84	1.8	—	9.5
Housewares (total)	181	3.8	—	20.5
Glassware	56	1.2	—	6.3
Other	125	2.6	—	14.2
Hardware (total)	108	2.3	—	12.2
Power tools	99	2.1	—	11.2
Paint and wallpaper	9	0.2	—	1.0
Food	30	0.6	—	3.4
Home furnishings	23	0.5	—	2.6
Hobbies and crafts	18	0.4	—	2.0
Books and paper supplies	14	0.3	—	1.6
Sporting goods	13	0.3	—	1.5
Toys	3	0.1	—	0.3
Consumer electronics	12	0.3	—	1.4
Total nonapparel	885	18.7	—	100.0

Source: Iris Ellis, *Save On Shopping* and The Doody Co.

Young Designer

***Most market watchers describe** U.S. Shoe's T. H. Mandy as the "Cadillac" of the off-price fleet.*

retail space is considerable and 47% of all off-price malls are conversions of former retail space, reports Mike Gade of The Doody Co.

Indianapolis' Eastgate Mall is a prime example of off-price's rejuvenative powers. Opened in 1957 as a suburban shopping center, by '80 only 15% of the 300,000 sq. ft. was leased. Developers Melvin Simon & Associates recycled the center which reopened as an off-price mall last August. First-week volume was a reported $1.5 million with only 60% of the merchants operating. "Our sales are running at about $500 a gross foot," claims one mall source.

Finding space is only one hurdle. Getting goods could be the toughest challenge, says John Cullen, hitting the most controversial issue swirling around off-price retailing.

Concern heightened: Gold Circle's George Rubin admits K mart's drive into the off-price fray has heightened his concern that the merchandise well might run dry. And for good reason.

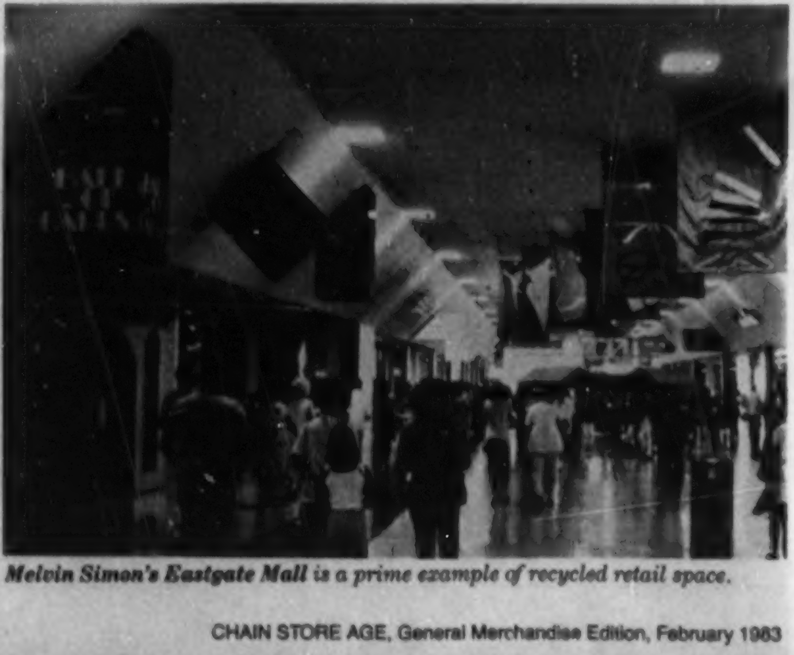
K mart is testing in-store off-price apparel sections and chairman Bernard Fauber says a "large number of upgraded apparel departments will be opened" this year. K mart's off-price offspring, Designer Depot, opened in St. Clair Shores, Mich., in early December with sources estimating opening day volume at $165,000, or 17.5% of inventory. Insiders say K mart could add 200 Designer Depots over the next two years.

With the off-price ranks estimated at just over 10,000 units, a chainwide rollout of off-price areas in K mart's discount stores alone would increase the number of merchants elbowing for goods by 20%.

Merchandise is readily available today, a fact Cullen blames on the sluggish economy. "You have to understand that much of this merchandise is produced off-shore with at least one-year lead times," he explains. "No one could foresee this economy so the goods are there."

Many market watchers disagree. Allan Pennington argues that resources are building off-price demand into production schedules. William Davison adds, "If all the goods available today are overruns, the industry is in sad shape."

"It's a simple matter of economics," explains Kurt Barnard of the



***Melvin Simon's Eastgate Mall** is a prime example of recycled retail space.*

Off-price thrives on price war confusion

☐ "I've learned that the name brand represents the quality of the product," says Katherine Gray, a fashionable Los Angelano who earns $42,000 a year and spends most of her apparel dollars at off-pricer Loehmann's.

Gray's comment pretty well sums up what most market analysts see as the off-price industry's sexiest come-on—the consumer's demand for quality goods, or a perception of quality, at palatable prices. And research indicates it's a pitch traditional GM retailers have contributed to.

The highly promotional retail landscape has conditioned shoppers to wait for sales, reports George Rosenbaum, pres. of Leo Shapiro & Associates, the Chicago-based research firm. As a result, full markup prices are becoming off-price—that is, the wrong price—and off-price stores are increasingly being perceived by consumers as "on-price."

Discount stores deliver only half the price-quality equation. Consumers polled by *CSA*/Leo Shapiro cited price/discount as the prime reason for shopping both off-price stores and discounters. But 14% of the consumers mentioned quality as the second reason for selecting off-pricers while the discount stores' trump card after price was convenient location. In fact, only 2% of all customers answered quality when asked why they shop discounters.

Shapiro's surveys have also found a direct link between apparel spending cutbacks and the consumer's propensity for shopping off-price. Four out of 10 customers trying to hold the line on apparel outlays shopped off-price stores last year vs. only 3 out of 10 who shopped off-price and reported they were not cutting back.

Off-price stores should continue to ride the crest of this pared-down-spending-plans wave. Some 78% of all adults aged 18-44 told *CSA*/Gallup Organization pollsters they are buying fewer apparel items than in the past. And running parallel to this trend is the steadily swelling intention of consumers to shop the off-price alternative (see chart).

"Off-price makes brand-name apparel an affordable lifestyle for many people," sums up George Rubin, sr. vp/gmm soft lines at Gold Circle. "Before it was a luxury." ☐

Consumer awareness of off-price growing

	% of all consumers aware of off-price stores		% of all consumers who have shopped in off-price stores		% of all consumers who will probably or definitely shop off-price in the future	
	1977	1981	1977	1981	1977	1981
Women	18.0	31.0	29.0	41.0	56.0	71.0
Men	13.0	24.0	19.0	30.0	47.0	61.0

Source: *CSA*/Leo Shapiro & Associates

Federation of Apparel Manufacturers. "Off-pricers buy in large quantities vs. the trickle down policies of most department stores. They pay promptly and there are no returns. What more can a vendor ask for?"

Counterattack: The answer for some, apparently, is plenty as vendors have begun counterattacking off-pricers. Many observers, including K mart itself, believe Jordache's suit against the nation's biggest discounter charging K mart with stocking counterfeit Jordache jeans, was simply a ploy to unmask the chain's source of supply.

And the FTC's nod allowing Pioneer to restrict transshipping of its goods "to any dealer who does not meet minimum dealer standards" could ultimately shake the off-price pipeline down to its underpinnings.

Many vendors, however, feel trapped. K mart, for example, approached Maidenform for goods for its in-store test and was turned down. The line appeared anyhow.

"We're really caught in the middle," says Alan Lesk, sr. vp at Maidenform. "We believe the availability of our goods at off-price stores is hurting our standing with department stores, but we've talked to our legal department and we don't feel there's much we can do about it."

Jack Wasserman of Fashion House, go-between reportedly supplying Designer Depot, believes the diverting brouhaha is a tempest in a teapot getting more exposure today because major players are moving into off-price. But if resources believe the "big stick" threats department stores are hurling their way, this tempest could quickly escalate.

"We will do more business with our friends," Edward Finkelstein, chairman/ceo of Macy's cautioned recently.

"Most department stores are adjusting their resource structures to eliminate vendors attempting to have their cake and eat it too," adds Allied's John Cullen. "We are minimizing our efforts with these resources."

While Cullen would not cite examples, Allied pres./ceo Thomas Macioce told a Morgan Stanley retail conference recently that Allied has dropped Levi's and is doing less business with Izod and more with Ralph Lauren.

Hardest hit: Few analysts doubt off-price will hit the department stores hardest. As a strategic response, observers recommend rebuilding private labels and signing licensing deals with resources to insure exclusivity. But not all keystone pricers will find these maneuvers practical.

"Selected stores like Bloomingdale's and Marshall Field's, for example, have a shot," says Allan Pennington. "It's the plain vanilla stores like Stern's and A&S that will have trouble."

Locking out diverted resources could be a counterproductive knee jerk, warns George Rosenbaum, pres. of Leo Shapiro & Associates, the research firm. He suggests keystoners milk names, including their private labels.

"If department stores can create an infrastructure to buy a piece of the distribution action of the goods that their promotion creates demand for," Rosenbaum explains, "they can profit from the promotion by diverting these goods when they want to."

As sure as they are that department stores are most exposed to the off-price onslaught, analysts are equally sure discounters are more insulated from off-price pressure. "The low-end customer will always exist," says Pennington.

But is she big enough to support the overweight discount industry? There were 18,900 households for each discount store in 1970, points out Bruce Misset, retail analyst for Oppenheimer. By '80, this figure had slumped to 11,000 households per discount outlet.

Certainly, discounting's rapid growth in the last decade contributed to this squeeze and, by comparison, store expansion has now slowed to a trickle leading optimists to assert the problem has peaked. But nearly all demographers agree society is splitting into the "haves" and the "have nots" with the latter, the low-end customer base, shrinking.

During the 80's, the U.S. household population is projected to grow by 9%. The heart of the off-price market, households classified as upper income (those earning $25,000 or more annually in 1977 dollars), will represent 28.5% of all households by the end of this decade—a huge 54.1% jump on their share of the household population in '80.

"Even marginal income families," Misset points out, "are trading up slightly in price to buy a perception of quality. So what you'll have is a relatively small base of consumers buying only what they can afford."

Tom Murnane, director of shopping trends research for Management Horizons, feels upscaled stores will feel the heat most among the discounters. "They've traded themselves directly into competition with off-price branded apparel," Murnane says. "Consumers are trading up for quality and down for price and the fact is the middle is shrinking. Off-price makes that price trade-up less painful." □

Satisfacti

***Possible expansion of** K mart's in-store test has other off-pricers worried.*

Who sells whom? Not us, all agree

□ Vendors, whose favorite comeback to inquiries about off-price retailing is, "We are not supplying . . . ," aren't the only ones wondering how their goods are finding their way into off-price stores.

A *CSA* staffer headquartered in Chicago was asked when he found time to shop Syms, the eight-store metro New York off-pricer whose series of "Ss" logos adorned the inside pocket of his Austin Reed suit. "Who's Syms?" he answered. "I bought this for $90 at Eisenstein's [a single-store off-price entry in Chicago]."

"What?" screeched Marsha Carron of Syms customer relations. "That's impossible." Assured Syms' goods were being sold in Chicago, Carron denied any knowledge of her chain dumping merchandise. "If need be we just keep taking markdowns," she said. "We don't give slow-moving merchandise to charity or anyone else. Our charity is our customer."

An Eisenstein's insider was equally dumbfounded. Pressed, however, he conceded his source could also deal with Syms and that goods might have been misshipped.

And the plot really thickened when spokesmen for the manufacturer denied supplying either store. □

Can regionals survive?

☐ Retail bankruptcies in 1982 ran 40% ahead of the year before. Analysts predict continued tough times for merchants in '83. Says Irwin Cohen, national industry director for retailing, Touche Ross & Co., "More marginal operators will go by the boards. We'll see the rich get richer, the strong get stronger."

Hardly a forecast fails to include predictions about consolidations and acquisitions of small, regional companies. Even more dire, many futurists see more bankruptcies, closings.

The heat from the brushfire expansion of the nationals such as R. H. Macy, Dayton Hudson and Wal-Mart is just too hot for the regionals to withstand, it is said. The former group's balance sheets remain strong and contain enough cushion to overcome recessionary pressures. They are able to increase market share while smaller, more vulnerable companies play cautiously.

During vibrant economic times, marginal retailers can slip into camouflaged success. But the experience of the last three years has more than amply demonstrated that companies that lacked a firm market niche and a sound balance sheet either folded, sold out or were acquired.

So what be the fate of regional stores? Expansion programs have brought the "big boys" into their once exclusive territories. Will they flourish via their abilities to more easily adapt to local preferences, or be consumed by the inferno?

Not only are the regional stores surviving, but many are also outperforming the nationals.

The evidence points to survival. To be sure, many regionals may fold in the coming years, but a *CSA* analysis of 24 publicly owned regional department, discount and variety store companies suggest that, for the most part, they have the financial stability, and the merchandising wherewithal to withstand the heat.

Indeed, some of the leading regional chains posted operating results for fiscal 1981 that many national chains would envy. Seattle-based Nordstrom's, for example, generated $221.25 in sales per gross square foot in its high-fashion specialty department stores. When one considers its five and dime origins, New York-based Lamston's' $96.80 sales per gross square foot is perhaps even more impressive, as is its phenomenal 53.7% operating income return on average equity. Ames discount stores of Rocky Hill, Conn., churned out a spectacular 13.1% operating profit to sales.

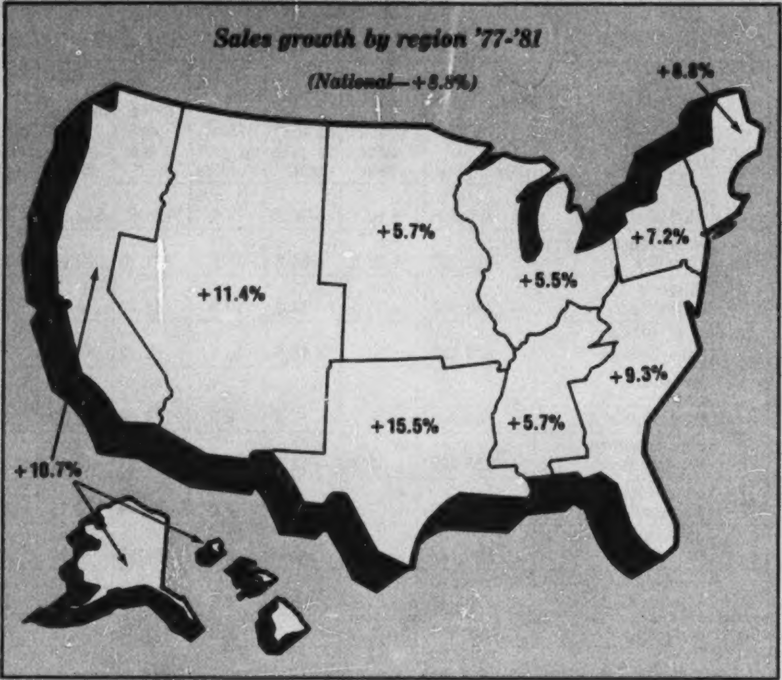
For the analysis, *CSA* defined a regional chain as one that does less than $1 billion in sales. Thus, chains such as Target and Wal-Mart, while regional in their locations, were excluded. For the variety store analysis, McCrory was considered a national chain because it operates in 31 states, even though its $762 million volume fell below the billion dollar standard.

CSA rated retailers in their respective tiers, using 10 key yardsticks: changes in sales and operat-

(cont'd on p. 35)

ing profit (sales minus cost of goods sold minus selling, general and administrative expenses) '81 vs. '80, operating profit to sales ratio, sales and operating profit per gross square foot, operating profit returns on average equity and total assets, compound sales and operating profit growth 1977-81, and the relative compound sales growth 1977-81 vs. GAF sales in their respective markets. This final yardstick provides a cleaner gauge of how good a retailer is. The basic idea is that a retailer that boosts sales 10% in a region where average GAF sales are up 5% has done a better job than the one who improves volume 12% where 10% is the norm.

The regionals were then ranked in order of best finish within each yardstick, with a "1" representing the best score. The chain with the lowest total for all the yardsticks was designated the best regional in its tier. ☐


Sales growth by region '77-'81

(National—+8.8%)

Size is key to the keystone regionals

☐ Regional department stores appear to be weathering the economic storms of the early 1980's, despite the fact that they face tougher challenges than their national counterparts.

Because of their smaller market bases, regionals must maintain sales velocity to remain profitable. And they must do it by increasing productivity within their current stores and through minimal expansion. National companies, on the other hand, have traditionally grown through expansion and acquisition.

Not only are the regionals surviving, but many are outperforming national giants like R. H. Macy & Co. and divisions of Associated Dry Goods. As a group, the nine regional department store companies analyzed by *CSA* generated higher earnings and returns than the nine largest nationals, even though sales growth and margins were closely aligned.

For the 1981 fiscal year ended in January '82, regionals posted a 13% sales gain compared to 12% for the top nationals. But profit growth was far faster. Although not precisely comparable, the regional composite operating profit gain of 33.3% is more than double the nationals' 14.4% increase in net earnings.

So what makes a regional chain stronger than its national rivals? After all, even national department store companies operate in a regional manner.

Size is the key to the regionals' strengths. At the same time as their smaller market allows them to more closely reflect regional demands from consumers and react more quickly to developing trends, they are all large enough to take advantage of buying strength and economies of scale that their national competitors do.

The ability to react more quickly to changing market conditions is reflected in the group's five-year compound sales growth rate of 12.3%, some 40% better than the national growth rate for general merchandise-apparel-furniture (GAF) sales tracked by the U.S. Department of Commerce.

Matching the national economic trends, regionals in the Sunbelt and the Far West led the pack and companies operating in the Midwest and New England rated poorest.

C. R. Anthony, long a leader in Oklahoma where one-third of its 299 junior department stores are located, finished tops in the overall rankings. With an expense structure closer to that of a discount chain, but with department store brands and margins, the company trailed only high-fashion Nordstrom's in operating profit per square foot.

Anthony's is also capitalizing on the regionals' strength by operating in mainly small towns. Nearly 60% of the company's stores are located in towns with less than 20,000 residents.

Sixty years after opening its first stores, Anthony's is a mature chain generating the second highest returns on both equity and assets of the nine companies tracked.

Seattle-headquartered Nordstrom's led not only regionals in sales per square foot, but virtually all department stores regardless of market scope. The store's 34 high-fashion department stores generated a phenomenal $221.25 per square foot in sales and $22.05 in operating income.

The company's highly refined decision-making system has paid tremendous dividends in sales and profit growth for the past five years. Since 1977, Nordstrom's has posted compound annual sales and operat-

C. R. Anthony tops regional department stores

Rank*	Chain	1981 sales (000 omitted)	% 1981 sales gain	% 1981 op. prof. gain[2]	% op. prof. to sales	Sales per gross sq. ft.	Op. prof. per gross sq. ft.	% op. prof. return on equity	% op. prof. return on assets	% compound op. prof. growth '77-'81	% compound sales growth '77-'81	% relative sales growth to market '77-'81
1	C. R. Anthony (Oklahoma City)	$ 366,805	+16.3	+38.3	11.9	$108.95	$12.95	70.6	41.8	+33.4	+20.1	+176.3
2	Nordstrom's (Seattle)	522,050	+28.0	+24.0	10.0	221.25	22.05	37.6	15.0	+20.1	+20.2	+188.8
3	Dillard's (Little Rock)	592,867	+25.9	+58.5	10.8	87.79	9.45	58.6	18.6	+32.5	+21.7	+140.0
4	D. H. Holmes (New Orleans)	220,997	+12.0	+10.0	13.5	88.22	11.92	70.8	57.3	+11.9	+12.7	+ 81.9
5	Woodward & Lothrop (Washington, D.C.)	334,843	+ 8.6	+15.8	8.5	109.89	9.32	27.3	10.0	+ 1.0	+ 7.7	+ 82.8
6	Elder-Beerman (Dayton, Ohio)	235,166	+15.3	−12.8	4.7	91.93	3.46	31.6	8.6	+15.7	+11.9	+216.4
7	Sage-Allen (Hartford)	56,858	+ 7.3	+12.3	4.0	93.46	3.74	18.8	8.3	−14.3	+ 9.4	+106.8
8	Alexander's (New York)	506,781	− 3.2	None[1]	2.5	131.52	3.28	21.9	7.1	− 2.0	+ 4.2	+ 58.3
9	Higbee Co. (Dayton, Ohio)	206,340	+ 1.9	− 6.2	4.3	67.08	2.88	17.3	6.6	− 5.5	+ 3.2	+ 58.2
	Composite	3,042,707	+13.0	+33.3	8.3	111.04	8.78	41.3	15.2	+15.7	+12.3	+139.8

[1] Loss reported in 1980. [2] Operating profit equals net sales minus cost of sales, selling, administrative and general expenses.
**Ranking based on all ratios except 1981 sales.*
Source: CSA research, annual reports, 10-K forms, U.S. Commerce Dept.

ing profit growth rates of 20.1% and 20.2%, respectively. Sales growth has been 88.8% faster than GAF sales for the Pacific area for the five-year period.

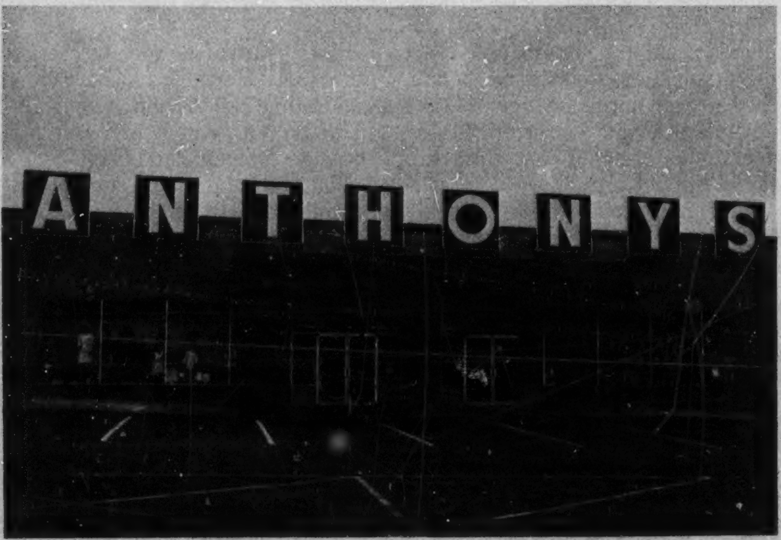
Dillard's, the 56-unit Little Rock-based store came in third with first place finishes in one-year operating profit gain and five-year compound sales growth. And while sales per gross square foot rated next to last, the company's operating income to sales ratio was third.

Spread through eight states, with more than half the stores in Texas, Dillard's is well positioned as the only department store in four out of five malls it operates in. In most cases Dillard's coanchors with one of the Big-3 catalog chains.

Elder-Beerman, located in recession-ridden Ohio, posted the highest growth rate compared to its market. But while the 23-unit chain has had steady sales growth, it trails in all other categories. Operating income was particularly hard hit by the poor economy in the East North Central region in '81. For the '77-'81 period, however, operating profit increased an average 15.7% per year, even though the decline in '81 was 12.8%.

Alexander's, the once powerful New York City promotional department store has also fallen on hard times during the past five years. The 16-store chain was the only store tracked with an actual decline in sales from 1980 to 1981. Despite this decline, 1981 did see a return to profitability, albeit a modest one of $3.2 million on sales of $506.8 million. In 1980, Alexander's reported a $9.6 million loss.

Company executives are optimistic that Alexander's will be able to improve both sales and earnings in the coming years, despite the fact that the company trails far behind the Middle Atlantic regional compound growth rate of 7.2% and is in even worse shape compared to sales growth in the very robust New York City market.



C. R. Anthony generated the second highest returns on both assets and equity.

Regionals topple national discounters

☐ It is not particularly surprising that Caldor leads the list of regional discounters ranked by *CSA*. What is noteworthy, however, is the ongoing trend—exemplified by the Norwalk, Conn.-based chain—which finds large regional retailers replacing national discounters as *the* dominant force in individual markets.

The latest *CSA* rankings include 13 regional chains with sales of less than $1 billion each. Total 1981 sales of those ranked topped $4.9 billion—a 12.4% jump on 1980—while composite operating profits were up 5.4%.

With the demise of Woolco and K mart's financial difficulties, the regional discounters fill a vacuum left by the fiscal and merchandising failures of the nationals. K mart continues to feel the regional pinch, falling prey to smaller, more flexible and innovative competitors.

A financial comparison of K mart and Canton, Mass.-based Hills illustrates the growing power of regional discounters.

While both chains' 1981 sales increase was just about equal (Hills, up 16.8%, and K mart, up 16.4%), Hills scored a 12.7% operating profits gain while K mart dropped 22.6%. But Hills' fiscal superiority doesn't end there. The chain's operating profits to sales ratio was 6.8% compared with K mart's 2.2%; Hills' compound operating profit growth (from 1979 to 1981) was 17.5% while K mart declined 11.8%, and Hills' operating profit return on assets was 29.0% compared with K mart's 5.3%.

Large regionals are replacing national discounters as the dominant force in specific markets.

Smaller regionals are also wary of their steamrolling peers. For example, Henderson, N.C.-based Roses (which has begun to reverse a flat sales and profit picture) finds Wal-Mart expanding into its market with the 1981 purchase of the Kuhn's-Big K chain. Indianapolis-based Danners also closely tracks the growth of Wal-Mart, much as it once watched K mart's meteoric growth.

The large regionals, in fact, are the new powers in discount retailing as the chains dominate specific geographic regions. These chains, with Caldor as a leading example, expand within a geographic area rather than on a national level.

Wal-Mart, which was not included in the *CSA* rankings because its sales were more than $1 billion, has already parlayed this formula

Caldor repeats as regional leader among discount stores

Rank*	Chain	1981 sales (000 omitted)	% 1981 sales gain	% 1981 op. prof. gain[3]	% op. prof. to sales	Sales per gross sq. ft.	Op. prof. per gross sq. ft.	% op. prof. return on equity	% op. prof. return on assets	% compound op. prof. growth '77-'81	% compound sales growth '77-'81	% relative sales growth to market '77-'81
1	Caldor (Norwalk, Conn.)	$ 779,223	+16.9	+ 29.1	7.4	$122.83	$9.05	N.A.	N.A.	+19.6	+18.5	+231.3
2	ShopKo (Green Bay, Wis.)	294,700	+25.9	− 7.5	5.1	109.88	5.56	N.A.	N.A.	+15.7	+29.4	+515.8
3	Hills (Canton, Mass.)	832,657	+16.8	+ 12.7	6.8	121.73	8.23	N.A.	29.0	+17.5	+16.2	+187.5
4	Hecks[2] (Charleston, W. Va.)	364,870	+ 9.6	− 6.9	6.8	90.36	6.12	N.A.	N.A.	+17.7	+20.9	+224.7
5	Danners[2] (Indianapolis, Ind.)	131,837	+24.9	+237.0	4.2	71.05	2.99	N.A.	10.5	+12.1	+16.7	+303.6
6	Duckwall-ALCO[2] (Abilene, Kan.)	199,103	+14.9	+ 10.4	7.5	80.74	6.03	48.9	16.1	+17.2	+11.2	+196.7
7	Ames (Rocky Hill, Conn.)	337,692	+ 4.8	+ 1.2	13.1	68.39	8.94	101.8	36.4	+11.8	+18.7	+223.8
8	Venture (St. Louis, Mo.)	611,500	+ 9.0	+ 41.2	2.7	115.83	3.03	N.A.	6.3	− 3.8	+15.5	+276.8
9	Jamesway (Secaucus, N.J.)	300,246	+ 8.5	+ 3.7	4.6	85.30	3.97	33.2	14.2	+ 2.4	+15.4	+213.9
10	Roses (Henderson, N.C.)	594,760	+13.0	+ 36.0	3.0	69.50	2.07	23.1	13.4	+ 3.4	+ 6.3	+ 67.7
11	Grand Central (Salt Lake City)	255,878	+ 8.3	− 1.9	0.8	97.51	3.40	7.1	1.6	− 2.3	+ 9.7	+ 84.1
12	G. C. Murphy (McKeesport, Pa.)	817,823	+ 1.8	− 18.0	4.8	67.47[4]	3.23[4]	30.9	13.0	− 1.6	+ 5.3	+ 73.6
13	S. E. Nichols (New York)	238,300	+ 6.6	None[1]	− 0.4	62.38	1.26	N.A.	N.A.	−23.7	+ 4.9	+ 68.1
	Composite	4,979,939	+12.4	+ 5.4	6.2	76.51	4.78	N.A.	N.A.	+ 7.9	9.1	+103.4

[1] Loss reported in 1980. [2] Includes all general merchandise divisions. [3] Operating profit equals net sales minus cost of sales, selling, administrative and general expenses. [4] CSA estimate. N.A. = not available.

**Ranking based on all ratios except 1981 sales, return on equity and return on assets.*

Source: CSA research, annual reports, 10-K forms, U.S. Commerce Dept.

__The highest-ranked regional,__ Caldor should top the $1 billion mark in sales.

into a discounting empire in the Sunbelt/Southwest region. And as a regional, Wal-Mart has an edge on national competition such as K mart and T.G. & Y. The company is large enough to flex its buying muscle while small enough to quickly react to market variations.

But most of the regionals tracked by *CSA* fared well when retail sales growth was compared with general merchandise, apparel and furniture (GAF) statistics released by the U.S. Department of Commerce. National compound sales growth (from 1979 to 1981) averaged 8.6% compared with the regionals' 9.1%.

Only four chains—Roses, Salt Lake City-based Grand Central, G. C. Murphy and S. E. Nichols—fell below the Commerce Department's GAF growth rate for individual regions.

The following are the top chains:

- Caldor: The highest-ranked regional in the *CSA* survey, Caldor should top the $1 billion sales mark this year as it expands into the Baltimore market and Long Island. Caldor led the rankings in three vital classifications with $122.83 sales per gross square foot, a 19.6% compound operating profit growth rate, and a 29.1% increase in 1981 operating profits.
- Shopko: The Green Bay, Wis.-based discounter's operating profits dropped 7.5% in 1981, but the chain still managed to finish second in the rankings by showing strength in the four-year financial yardsticks. Shopko's compound operating profit was up 15.7% and its compound sales growth increased by 29.4% from 1979 to 1981. The discounter's sales grew about five times the rate of retail sales in the region.
- Hills: The no-frills discounter continues to show financial strength. Its sales per gross square foot was $121.73 (second only to Caldor). Operating profit per gross square foot was $8.23 and compound operating profit growth from '79-'81 was 17.5%.
- Danners: It's not easy being a struggling discounter in the economically deprived Midwest, but in 1981 Danners managed to reverse its fortunes by scoring a 24.9% sales gain and a 237.0% operating profits increase. But hard times continued for the Indianapolis discounter in 1982. Through three quarters, the company (including its food-service division) incurred a net income loss of just over $1 million due, officials said, to smaller margins and increased interest expense.
- Ames: Although the Rocky Hill, Conn.-based chain finished No. 7 in the rankings, Ames scored high in some vital fiscal areas. The chain's operating profit-to-sales ratio was the survey leader at 13.1% (Caldor, for example, was 7.4%), operating profit per gross square foot was $8.94 and operating profit return on equity was a whopping 101.8%.
- Venture: The May Department Stores division returned to profitability in 1981. Although Venture's compound operating profit growth was down 3.8%, profits increased 41.2% in 1981. The chain also scored the third highest sales per gross square foot figure in the survey, churning out volume at a $115.83 clip. □

Conn.-based Ames churned out a spectacular 13.1% operating profit to sales.

Lamston's had the best compound operating profit growth of all variety units.

Lamston's leads variety retailers

☐ In the cauldron that is New York, Lamston's continues to be icy hot.

The 31-store chain with all but three of its units in New York City led its counterparts in 6 out of 10 yardsticks. Indeed, its performance more closely resembles that of R. H. Macy than other variety stores.

Lamston's had the best compound operating profit growth of all variety stores. Indeed, its 21.8% increase was the third best of all the regionals studied, trailing just C. R. Anthony and Dillard's.

Productivity has been a key to Lamston's ability to turn an 11.5% compound sales growth into the nearly double operating profit gain. Selling, general and administrative expenses rang in at just 22.7% of sales a year ago, vs. 25.5% in '77, while its gross margin of 33.4% in '81 compared to the 33% in '77.

Charlotte, N.C.-based Family Dollar and Dollar General of Scottsville, Ky., represent a hybrid variety store with a discount flavor. Their small store size, limited sku's and limited price lines—Family Dollar has a $14.99 cap on almost all merchandise—placed them in *CSA*'s variety store analysis.

Both dollar chains blanket the Dixie States, though Dollar General also has many stores in the Central States, Pennsylvania, Missouri and Oklahoma. But they have somewhat divergent leasing practices.

Dollar General goes for short-term opportunistic leases, generally obtained at low rentals from landlords eager to get some return on vacant space. Family Dollar follows more traditional leasing arrangements. Dollar General wound up its prior fiscal year with rental expense for its 826 stores equal to 2.6% of sales; Family Dollar's 529 store leases cost it 3.1% of sales.

Family Dollar edged out Dollar General for second place. It achieved that ranking through consistent second or third place finishes in the 10 yardsticks. It was as consistent as its everyday basic merchandise philosophy.

Dollar General, which has long been a leader in opportunistic buying of irregular and closeout merchandise, recorded four first place rankings, but its fifth place finish in compound operating profit growth put it behind Family Dollar. ☐

Lamston's flexes muscle as top regional variety chain

Rank*	Chain	1981 sales (000 omitted)	% 1981 sales gain	% 1981 op. prof. gain[1]	% op. prof. to sales	Sales per gross sq. ft.	Op. prof. per gross sq. ft.	% op. prof. return on equity	% op. prof. return on assets	% compound op. prof. growth '77-'81	% compound sales growth '77-'81	% relative sales growth to market '77-'81
1	Lamston's (New York)	$ 42,631	+11.3	+16.7	10.7	$96.80	$10.33	53.7	35.6	+21.8	+11.5	+159.7
2	Family Dollar (Charlotte, N.C.)	207,419	+14.1	+13.7	8.6	63.23	5.42	35.1	20.5	+13.1	+15.3	+182.1
3	Dollar General (Scottsville, Ky.)	245,453	+17.0	+18.9	6.2	62.76[2]	3.86[2]	29.1	16.8	9.2	+17.3	+206.0
4	Sprouse-Reitz (Portland, Ore.)	151,573	+ 5.5	− 8.4	5.9	38.90	2.29	21.2	13.8	+14.2	+ 6.9	+ 63.3
5	Cornet (Pasadena, Calif.)	37,498	+ 2.2	−40.4	3.7	25.00[2]	0.92[2]	5.8	4.4	+10.7	+ 3.5	+ 32.1
	Composite	684,674	+12.2	+ 4.9	7.0	52.56	3.66	27.0	16.7	+12.6	+12.8	+145.5

[1] *Operating profit equals net sales minus cost of sales, selling, administrative and general expenses.* [2] CSA estimate.
**Ranking based on all ratios except 1981 sales.*
Source: CSA research, annual reports, 10-K forms, U.S. Commerce Dept.

Electronic portables and *typewriter/computer combos may boost total sales by as much as 35% by the end of '84.*

End in sight for typewriter slump

☐ Typewriter sales may be headed for a slump this year as potential buyers await better economic times. But retailers say this trend could reverse itself once low-priced electronic models reach mass distribution. Some go so far as to say a new generation of electronic portables or typewriter/computer combos may boost total sales to a new plateau—up as much as 35% higher by the end of next year. (See accompanying story.)

Seven out of 10 potential purchasers say they will postpone buying a new typewriter if they cut back on their spending this year, according to the *CSA*/Leo Shapiro study of Consumer Buying Intentions. While many potential buyers are fairly optimistic about an improvement in their own financial positions and that of the nation by year's end, they are less certain of this than shoppers for most of the other products tracked.

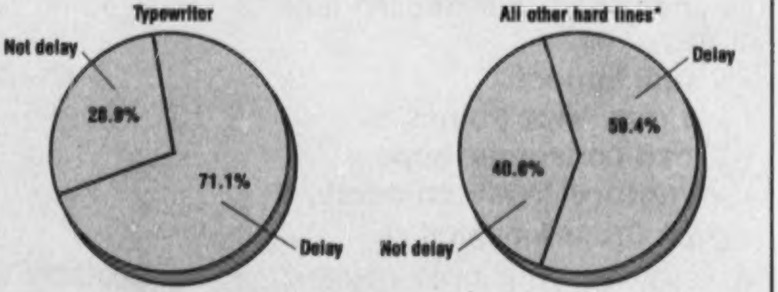
But this slump in demand is temporary, according to GM chain buyers. Most agree that typewriter sales will snap back once consumers feel the economy is turning around.

"Right now sales are being hurt by the economy, but [typewriter] recovery should follow in the early part of the overall national pickup," predicts Sears buyer Albert Chamberlain.

Most retailers also agree that only the home-use market will be affected by a continued economic slowdown. More than half of all portable typewriters are sold for use by college-bound students, sources estimate, and these sales are not ex-

Typewriters hit by spending retreat

% consumers who would delay buying if they curb spending



Source: *CSA*/Leo Shapiro & Assoc.

**Average of 36 other hard lines products tracked* pected to fall off. "When it comes to the student, most parents are going to make the purchase regardless of how it affects their disposable income," says Chamberlain. "They may not buy the most expensive model, but they will spend a couple of hundred dollars for a well-made electric portable."

Because most typewriters are purchased as gifts, or semigifts from parents to students, consumers defer purchases waiting for a sale price. "A typewriter is a planned purchase," notes Chamberlain. "So once people decide they need one, they'll shop around and then wait for a price promotion."

Sold primarily at Christmas, typewriters do have two strong secondary selling seasons: graduation and back-to-school. GMers note that between 40% and 50% of sales come during the Christmas season, with graduation second with about 25% of sales. "That's when we run our major promotions," adds a New York department store source, "although we almost always include one model in all our circulars."

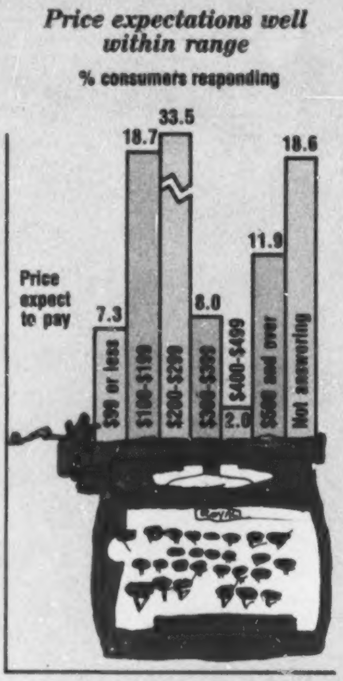
Hotter prospects have older children

Age of children	% of consumers who bought or might buy*
Under 3	10.5
3-5	7.8
6-11	21.8
12-17	33.7
Not answering	47.1

**Totals more than 100% due to multiple answers.*
Source: *CSA*/Leo Shapiro & Assoc.

Typewriter prices have stabilized in the $200 to $250 range and there appears to be little chance that this will change. "Sure, if the electronic printers like Brother's EP-20 or Sears 300 catch on, then prices could come down," notes Chamberlain. "These units don't have many mechanical parts and that's been the one thing keeping prices up. Even a modern electronic machine is still about 65% mechanical."

One-third of all *CSA*/Leo Shapiro survey respondents say they expect to pay between $200 and $299 for a typewriter. "That appears to be the acceptable range for a portable typewriter," says a store source at Caldor, the New England upscale discounter. "Customers seem to have a price-value expectation of electrics around $200. We do most of our business when we promote $229.95 models for $199.99."



Source: *CSA*/Leo Shapiro & Assoc.

While prices may be stable, each new model includes more features for the dollar. But it won't be very long before the average family will be able to afford a portable electronic with most of the features of office machines, retailers note.

"You have to appreciate that there haven't been many changes in typewriters for years," Chamberlain says. "The last big addition was putting a correction system in the portables, and that was in 1977. Sears busted the market wide open with that then, but until electronics began dropping in price, there really wasn't much new to attract customers. Now, I think we'll see daisy wheel portables down to $250 by 1984. And when they reach that point where they're affordable for the mass market, business is really going to pick up."

Some fears: At the same time buyers look optimistically ahead to the affordable electronic portable, they voice fears that the home computer is developing so fast that some typewriter sales will be lost to mini-computers. Word processing programs are the most popular software purchase by home computer owners and with printer prices coming down, it will soon be only a slight price trade-up from an electronic portable typewriter to purchase a home computer, word processing package and printer.

Chamberlain says that by midyear there will be portable electronic typewriters that can be connected to home computers and used as printers. "I don't know how much impact this will have on typewriter sales, but there is going to be some," he says.

Computer manufacturers project their printer-word processor systems will take as much as 20% of the typewriter market by the end of 1986. Notes one manufacturer's representative, "It's just a matter of time before prices come down enough for the mass market."

And while typewriters have become a virtual necessity for today's college student, at least one university plans to require students to bring a home computer with them in 1986.

Just as the electric portable has dominated the market since it was introduced in 1957 (today more than 80% of all portables sold are electric), microchip electronics will replace the electric typewriter during the 1980's. "It will be years before electric portables drop below 50% of sales," adds Chamberlain, "but the trend is obvious." ☐

Will minis spur on typewriter volume?

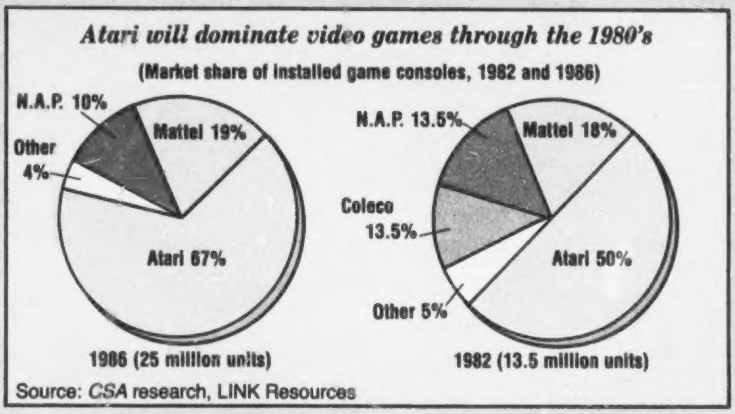
☐ Can a single revolutionary product revitalize what has been a stable category for nearly 20 years?

That's the question facing typewriter merchandisers as the new electronic printer-typewriter manufactured by Brother International enters the market.

The new machine, model EP-20

Video game sales skyrocket, despite Atari's shockwaves

☐ When Warner Communications announced last December that its Atari division would generate considerably lower earnings than projected, the entire video game industry was stunned. Had the video game business peaked? Was it now heading downhill? Would the bottom drop out of retail sales in early 1983? These were just some of the questions being asked by GMers.


Atari will dominate video games through the 1980's

(Market share of installed game consoles, 1982 and 1986)

Source: *CSA* research, LINK Resources

Despite the seemingly bad news for Atari, video game sales are still projected to surge ahead through the 1980's. Chain merchandisers are projecting sales gains of up to 150% for this year. Today's base of nearly 14 million households with video game consoles should double in the next three years, and some industry watchers say more than 60 million consoles will be in place by the end of the decade.

As the home penetration of video games continues to expand, Atari will still account for more video console sales than any other company, and nearly 90 million Atari-compatible game cartridges are expected to be sold this year alone. Other systems, like Mattel's Intellivision and ColecoVision, will increase in importance as their sales match or surpass the total growth rate. (See chart.)

"Fortunately," says the electronics buyer for a Los Angeles-based department store chain, "there are only four game systems, so we can stock all of them. The same is true for the cartridges. There are only about 10 strong companies designing software for the video games."

In just two years, the number of cartridges sold for each game machine in use has risen from six to nine and retailers say the new generation of games should raise this number to between 12 and 15 by the end of 1983. "The games are getting better," says a Chicago-based department store buyer, "so we're seeing the same customers coming back. We thought sales would drop off to the customer who's had his console for a while, but that isn't happening."

The number of cartridges sold in 1983 is expected to reach between 114 million and 130 million, virtually double 1982 sales of 65 million units.

At retail, video game sales will fall between $5 billion and $6 billion by year's end with cartridges accounting for nearly 60% of total volume. ☐

"They would much rather buy a game cartridge for their Atari and then use it at home, or take it to a friend's house. In our trade areas, we're seeing a lot of 'swap clubs' being set up by the kids."

He points out that at $19.99, the pocket-size games are only a few dollars less expensive than most cartridges made by major and second-tier manufacturers. Across the country, competition has become so intense that even best sellers like Activision's Pitfall and Atari's E.T. games are being regularly promoted in the $24.99 to $29.99.

The one bright spot on the hand-held horizon appears to be the Palmtex PVS (palmsized video-game system) introduced at last month's Consumer Electronics Show in Las Vegas. Priced at $49.95 for the hand-held console and one video cartridge, the system offers color graphics, three-dimensional effects and variable skill levels. Additional game cartridges carry suggested retail prices of $19.95. Department stores, including divisions of R. H. Macy Co. and Carter Hawley Hale, will carry the units once production begins later this year.

For table-top mini-arcades, the future appears to be less positive. Chains in all major markets saw poor Christmas sales of the mini-arcade games despite heavy national TV advertising during the months before the holidays.

"I think they will maintain some sort of presence in the toy market," says the Pennsylvania buyer, "but there won't be any growth or real strength unless price points come down considerably. At Christmas, the 'magic price point' was $49.99 and that was very close to our cost." Despite the discount pricing, he says sales were weak.

"We promoted Coleco's Donkey Kong at cost earlier in the fall and did fairly well, moving about 400 units during the sale," he adds, "but sales began dropping after that and there wasn't a upturn at Christmas."

***Parents of young kids** are the prime prospects for purchasing children's apparel sewing patterns.*

Kiddie patterns ride doldrums up

☐ Children's apparel, traditionally one of the last discretionary items lopped from consumer shopping lists when times get tight, appears to be under severe pressure.

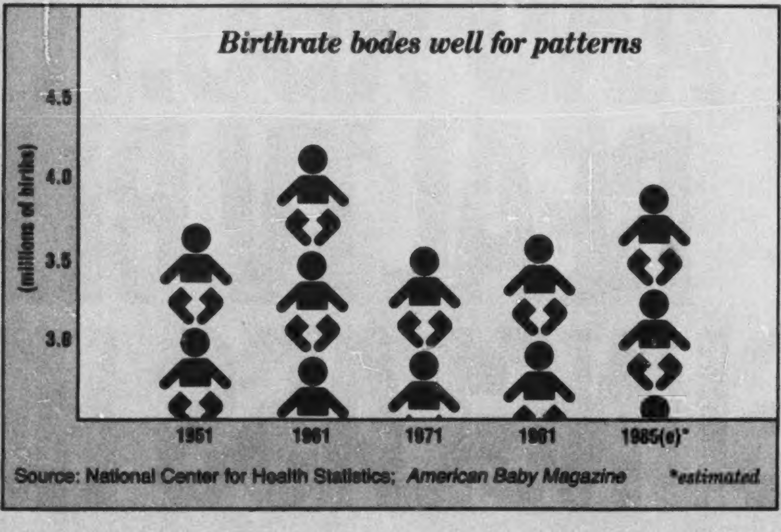
More than half of the potential children's overall shoppers and 57.4% of the prospective children's sleepers customers polled for *CSA*'s Consumer Buying Intentions Study by Leo Shapiro & Associates report cutting back on clothing purchases in recent months. And these are the two largest spending retreats noted among the apparel items tracked for the study.

That doesn't necessarily mean, however, that the kiddies are going without. Retailers polled by *CSA* report a strong upswing in sales of children's apparel sewing patterns within the last six months. And many point to the economic doldrums as the prime motivator behind the upswing.

"Sales in dollars and yardage in the children's area are up significantly," says Michael Feuer, vp/marketing for Fabri-Centers of America, the Ohio-headquartered fabric specialty chain. "Traditionally a small part of our sewing business representing about 5% of sales, the children's area accounted for 20% of our total business last year."

"The increase in children's pattern sales is a direct reflection of a more economy-minded homemaker who is willing to invest time to save dollars," adds a spokesman for the McCall Pattern Co.

These savings can tally up to a sizable sum. Average annual outlays for outfitting an urban child is $119.96 and only slightly lower for a rural child at $116.24, according to 1981 figures compiled by the U.S. Department of Agriculture. Even before the tot reaches school age,



Birthrate bodes well for patterns

Source: National Center for Health Statistics; *American Baby Magazine* **estimated*

'A stitch in time' saves sizable bucks

Girls' apparel size 4-6x	Department store price range	Estimated cost to make*	Estimated sewing time (in hours)
Dress	$26.00-$52.00	$6.50-$9.00	2½-3
Blouse	$10.00-$20.00	$5.50-$7.00	1½-2
T-shirt	$ 7.50-$14.50	$2.00-$4.00	½
Jumper	$18.00-$24.00	$7.50-$9.50	2
Skirt	$16.00-$22.00	$3.50-$5.50	1

**Cost includes pattern, fabric and notions*

Source: Risdon Corp.

when apparel outlays can jump upward of 40% higher, parents spend an average of $599.80 on the apparel needs of urban children and $581.20 for rural kids through the age of 5.

Facing these costs, home sewers are taking matters into their own hands to salvage budgets. One study indicates that a girls' dress size 4-6x carries a price tag ranging from $26 to $52 at a department store while the cost to make the same garment runs from $6.50 to $9 for the home sewer in roughly 2½ to 3 hours (see chart).

"Women who are proficient at sewing [for themselves] are more apt to sew for their kids," notes Feuer. "They know the satisfaction and economic advantages are worth the time invested."

But cost pressures are only one of the factors spurring the upswing in sales of children's apparel patterns. Other factors indicate it's more than a knee-jerk reaction to the economy. Some credit the trend among women to have children later in life for the volume jump.

"Saving money on children's apparel is certainly a factor, but not the only one," says Lois Mueller, public relations director for the Framingham, Mass.-based specialty store, The Fabric Place. "Many women, especially those who start their families later in life, want everything to be special for their children. They want to make clothing for them."

Simple demographics are also prodding on sales, and further indicate that the trend will continue. The baby boom generation, born between 1946 and 1964, is in its prime childbearing years—generating an echo baby boom of its own.

For example, birthrates peaked in 1961 when nearly 4.3 million children arrived, according to the National Center for Health Statistics and *American Baby Magazine.* Ten years later, the rate had slumped to under 3.6 million births. In 1981, however, the birthrate had rebounded to just over 3.6 million babies and projections are that 3.8 million children will be born in 1985.

Pattern makers have not ignored this shift. A spokesman for Vogue/Butterick Pattern Co. reports the supplier has expanded its selection of children's apparel patterns. "With a 30% sales increase in 1982, children's pattern sales now account for 15% of our total pattern sales," the spokesman notes.

This company insider also estimates that 50% of all sewing customers have children at home and that these parents do sew.

The *CSA*/Shapiro study buttresses this analysis that parents of young children are prime sewing pattern prospects. Households with children under the age of 5 represented only one-fifth of the polling base, but more than one-third, 35.7%, of the past year and potential sewing pattern shoppers.

Retailers, especially specialists, are moving to meet this market. The Fabric Place recently introduced two classes—Sewing for Children and Tots and Toddlers—designed to help the beginner and slightly experienced sewer make clothing for her children. Both classes are six-week, 2½-hour sessions for $35.

"Approximately 33% of the 50,000 patterns sold in 1982 were for children," reports Lois Mueller. "That's a 13% increase over the previous year." ☐

There's a tomorrow for 'Annie' patterns

☐ After 2,377 performances, countless road shows and a knock-off movie, the Broadway play *Annie* finally called it quits in early January. But the hit play's closing hasn't shut the books on licensed Annie apparel sewing patterns.

McCalls is offering patterns for an Annie line that includes her recognizable red dress for $2.25, her sailor dress for $2.50 and her nightgown for $2.25.

"The tremendous success of our E.T. Halloween costume prompted the expansion into the children's area," says Betty Tornini of McCalls. "These new lines are fueling the popularity of children's patterns."

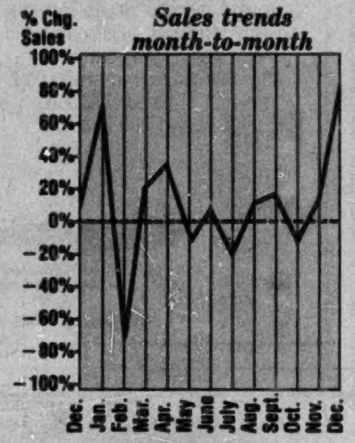
Retailers, too, credit the jump in interest in children's lines to the curly redheaded orphan and other recognizable "personalities" such as the Extraterrestrial and Sesame Street characters. All have been incorporated into McCalls' children's pattern program.

"Licensed patterns are doing well," says Lois Mueller of The Fabric Place, adding that peer pressure makes these items popular with kids. "Between TV, toys, books and movies, children are bombarded with information. They are extremely aware of what is available and they ask for what they want. Clothing is just a natural step. Kids want to wear the same clothing they see on TV and in movies."

Some retailers queried by *CSA,* however, question whether Annie's customer-drawing appeal will dim along with the floodlights. Perhaps, but maybe only temporarily. A sequel to the play, simply called Part II, is in the planning stages. ☐

We wish you a very 'mediocre' Christmas

Retailers waited and waited and finally received their recession-year holiday gift—a late-hour buying spree that salvaged a potentially disastrous Christmas shopping season. "In general, we were expecting a mediocre Christmas," noted Goldman Sachs analyst Joe Ellis, "and that's what turned out."



Composite of sales trends (increases or decreases) from month to month for the 20 retail companies tracked by *CSA*.

Ho, ho, hum December sales

		DECEMBER SALES*		STORES		11-MO. SALES*		
MAJOR CHAINS	% change	1982	1981	1982	1981	1982	1981	% change
SEARS[1]	+ 2.9	2,784,483	2,706,650	832	851	18,917,229	18,480,070	+ 2.4
PENNEY	+ 2.5	1,950,000	1,903,000	2,070	2,099	10,201,000	10,100,000	+ 1.0
WARD[1]	+ 6.2	899,100	846,920	389	389	5,282,482	5,383,806	− 1.9
FEDERATED[5]	+ 13.4	1,405,100	1,239,100	420	N/A	7,216,900	6,588,300	+ 9.5
DAYTON HUDSON	+ 11.9	1,047,769	936,299	984	926	5,197,040	4,577,722	+ 13.5
MAY DEPT. STORES	+ 10.3	667,100	605,000	1,394	1,271	3,450,000	3,230,000	+ 6.8
CARTER HAWLEY HALE	+ 9.3	580,600	531,000	1,027	948	2,865,100	2,705,300	+ 5.9
MERCANTILE	+ 12.8	241,439	214,136	85	83	1,341,762	1,196,891	+ 12.1
K MART	+ 0.8	2,760,352	2,737,292	2,425	2,380	15,771,819	15,545,721	+ 1.5
WOOLWORTH	+ 9.2	1,374,213	1,258,255	N/A	N/A	7,069,754	6,856,542	+ 3.1
HOUSEHOLD MERCH.[2,3,5]	+ 2.8	394,647	383,979	3,765	3,856	2,761,437	2,731,924	+ 1.1
WAL-MART	+ 25.8	507,000	403,000	552	491	3,140,000	2,268,000	+ 38.4
T.G. & Y.	+ 11.0	334,583	301,393	901	932	1,998,626	1,789,593	+ 11.7
ZAYRE[4]	+ 18.2	353,751	299,162	627	581	2,043,059	1,719,279	+ 18.8
MURPHY	− 6.8	132,829	142,565	423	440	777,046	773,367	+ 0.5
ROSE'S	+ 14.7	109,558	95,542	239	234	630,992	570,709	+ 10.6
MELVILLE	+ 19.6	500,842	418,884	5,482	5,154	3,218,367	2,715,247	+ 18.5
TANDY	+ 23.2	372,770	302,586	N/A	N/A	2,093,935	1,744,935	+ 20.0
EDISON BROS.	− 5.3	121,923	128,737	2,169	2.114	916,052	951,436	− 3.7
TOTALS & AVERAGES	+ 6.9	16,203,476	15,152,107			92,893,974	88,139,249	+ 5.4

**000 omitted. N.C. = no change. N/A = not available.*

[1] Store number for full-line outlets only. [2] Plus 2,818 franchise stores (vs. 2,875 a year ago). [3] Includes T.G. & Y. sales. [4] Includes 264 Zayre stores (vs. 260 a year ago), 277 Hit or Miss stores (vs. 257) and 86 T. J. Maxx stores (vs. 64). [5] Excludes supermarket sales.

Merchants tracked in *Chain Store Age General Merchandise*'s sales survey scored a 6.9% December sales increase compared with a 12.0% hike during the same period in 1981. The nation's top five retailers, however, had little to be pleased about. Combined December sales for Sears, K mart, J. C. Penney, Federated and F. W. Woolworth were up a paltry 4.4%.

But it wasn't all bad news. Some department and discount store chains reported strong Christmas season gains.

New York-based Mercantile increased year-to-year sales by 12.8% (while opening only two new stores) and year-to-date sales by 12.1%. Federated, Dayton Hudson and St. Louis-based May Dept. Stores posted increases of 13.4%, 11.9% and 10.3% respectively.

A big surprise was Montgomery Ward which reported a 6.2% December increase after a 0.5% drop in November. In a prepared statement, Ward ceo Stephen Pistner credited strong sales in the Dallas, Los Angeles, Chicago and Portland metropolitan markets for the December surge.

Among discounters, St. Louis-based Venture reported a December 11.8% same-store sales increase. The May Dept. Stores' division's sales were buoyed by a post-Christmas shopping rush, according to a company spokesman.

Other top performers were Minneapolis-based Target with a 13.0% sales jump, Mervyn's with a 20% hike and Norwalk, Conn.-based Caldor (not included in the *CSA* survey) which, according to sources, scored a 10.0% same-store increase. Wal-Mart, the Bentonville, Ark.-based discounter, reported a 8% same-store increase compared with a 9% December 1981 sales jump.

Here we go again, one consultant says

Now's the time when retailers look ahead and eagerly anticipate better sales ahead. But one top retail consultant says GM chains have seen the future and it doesn't look that good.

Irwin Cohen of Touche Ross predicts first half 1983 sales will be flat or only slightly ahead of an overall dismal '82. He notes that unemployment and "problems in our basic industries" will continue to hold down consumer spending.

For the second half of 1983, Cohen is "cautiously optimistic." The key to a solid volume showing, Cohen notes, is rebuilding consumer confidence.

There is, however, an exception. "Off-price retailing is worth two multiples on the stock price," Cohen quipped.

APPAREL merchandising

SECTION TWO

C5750-7
4/11/83

FEBRUARY 1983

CHICAGO'S SPORTMART HITS STRIDE IN ACTIVEWEAR

GALLUP POLLS WOMEN ON PRIVATE LABEL MERCHANDISE

STRETCH JEANS SOUGHT BY MATURE CUSTOMERS

SALES PACE AHEAD IN *ACTIVEWEAR*

APPAREL merchandising

12 Activewear is *the* growth category of the 80's. Outlook for functional activewear is stable, while spectator looks continue to lead the way.

14 Activewear, both functional and spectator, now accounts for 20% of space and volume at the supermarket-styled Sportmart chain.

16 Kaufmann's Athletic Club—KAC—evolved at the Pittsburgh department store chain to give activewear a permanent home with strong visual and fashion statements.

20 Women's private label merchandise is helping traditional retailers to counterattack brand-laden off-price chains.

COVER PHOTO BY BOB WARD

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DEPARTMENTS

25 It's back to cotton in intimate apparel at department store and catalog chains. Discounters have not yet turned on to cotton bras, panties, slips and sleepwear.

26 The "gentleman jeans" customer is taking to stretch, having been weaned on stretch fabrics in leisure suits and dress pants. The younger, basic-jeans-buying customer, however, remains elusive.

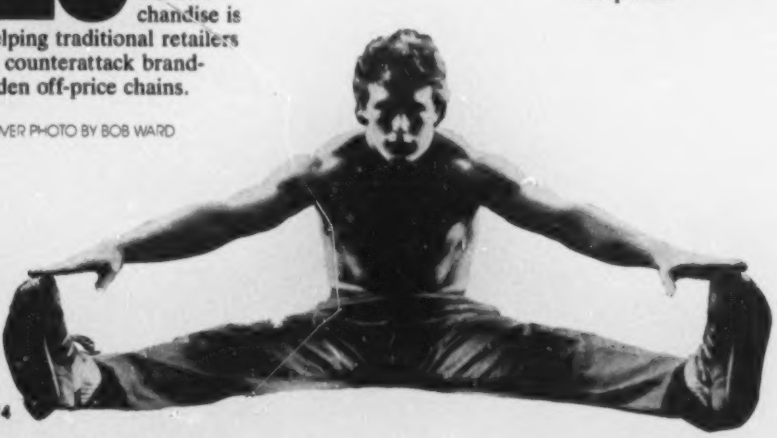
33 Women's stretch jeans have found a home with the missy customer. The older shopper, say retailers, has been seduced by stretch's comfort and fit.

35 Children's stretch blue jeans may soon be a memory as retailers drop the item after poor sales. Mothers feel stretch is too expensive for rapidly growing children's bodies.

36 Discounters have increased their potential market share of children's overalls, according to a study conducted by Leo Shapiro & Associates.

39 Fabrics are breaking free from their old end-use boundaries and seasonal limitations. Today, the same fabric, for example, can be found in topweights and bottomweights.

40 Steve Jelin found his niche at Hills Department Stores. The discounter also has a niche: slow but steady growth of stores with everyday-low-prices, no-frills formats.



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Consumer Watch

women's private label

Private label merchandise is becoming a buzzword among traditional retailers. As they seek to counterattack off-pricers which pitch brands at label-hungry consumers faster than speeding bullets, they are developing private label programs.

Private label goods for department stores, in fact, have long been regarded as a way to differentiate one store from another. As so many department stores carry the same labels and designer names, private labels are one way to lure consumers into units. They are also a sweet way to boost margins. With retailers stocking more quality merchandise, they are discovering that they can secure margins as high as 125%.

Bloomingdale's, for one, carries approximately 35% private label apparel. Neiman Marcus, 33%, and I. Magnin, 30%. These three are considered to be the leaders in the field, but other stores are catching up.

Bruce Misset, vp of Oppenheimer, a brokerage firm in New York, estimates that private label merchandise in department stores will take the place of brand name goods in the next 10 years. "We're going to see a big change in the mix of department stores so that brands are no longer the stars but the supporters in apparel departments."

How do consumers feel about private label goods as stores are poised to offer more? To find out, the Gallup Organization conducted a coast to coast survey exclusively for *APPAREL merchandising*. Here are their results:

Are consumers aware of private labels?

Many consumers are not sure what private label merchandise is, reports the study. Consumers are most likely to recognize store labels as private label goods. Over 40% of United States women defined private label as a store brand.

Sears' Cheryl Tiegs, for example, was considered by only 17.1% of shoppers to be private label goods. Similarly, less than 5% realized The Hunt Club was exclusive with J. C. Penney and a little over 10% were aware that K mart was the only retailer to carry Jonathan Logan.

Clearly private label goods are not discernible to most consumers. In fact, a little more than 40% (about the same percentage who deemed store names private label goods) could not identify them and a little less than 20% named a national brand as private label or were not able to give any example.

The consumer's inability to distinguish private label merchandise at catalog chains and discounters reflects a concerted effort by these retailers to establish brand recognition. It's their way to offset the apparel inroads made by off-pricers to compete with specialty and department stores.

Most consumers are not increasing private label consumption. Instead they're buying about the same. Results of the survey indicate retailers are going to have to do some institutional ads to convince more consumers to purchase, as many shoppers concede status comes with national brands, as well as fashion. Retailers must educate them.

But for those consumers who have had positive experiences with private label goods, many are going so far as to buy them for gifts, seeing no stigma attached to giving this type of merchandise. So acceptable has private label merchandise become to them that nearly 60% feel confident to purchase them for a relative or friend.

Who is the shopper?

The typical private label consumer emerges as the one most retailers are doggedly pursuing, according to *Am*/Gallup research. She is young, affluent and well educated.

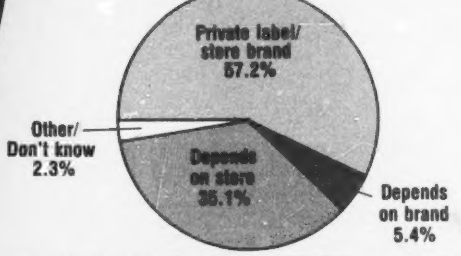
While interest in private label exists at all ages, the most excitement is generated by the 25- to 44-year-old consumer, results reveal. In addition, the high school graduate or college educated are most receptive to this merchandise. What's more, the household income of this consumer is likely to be over $25,000.

Hunt Club
The Hunt Club Collection

PHOTOGRAPH BY RICK BARICK

Consumers expect to pay less for private label goods

(Which costs less, private label merchandise or national brands?)



Source: The Gallup Organization for *APPAREL merchandising*

Most consumers recognize store name merchandise as private label

(% of respondents who identify label as being private)*

Label	Total	East	Central	South	West
Store name	40.9	43.9	42.4	36.1	41.7
Cheryl Tiegs (Sears)	17.1	23.4	20.0	10.6	14.1
The Hunt Club (Penney)	4.2	4.2	3.9	5.7	2.6
Jonathan Logan (K mart)	10.9	12.6	13.7	8.4	8.6
The Fox (Penney)	9.3	11.2	8.3	10.6	6.1
The Dragon (Sears)	5.2	6.5	4.9	4.4	4.9
Other (incl. nat'l brand)	18.1	15.8	15.6	22.0	18.4
Don't know	41.9	40.7	38.5	45.8	42.3

**Responses add up to more than 100% due to multiple answers*
Source: The Gallup Organization for *APPAREL merchandising*

So who's buying private label clothes? . . .

	. . . the baby boomers (age)					. . . high school grads (education)			. . . the affluent (income)				. . . and people on the coasts (region)			
	18-24	25-34	35-44	45-49	50 and over	Some high school	High school grad.	Some college	less than $10,000	$10,000 to $15,000	$15,000 to $20,000	$25,000 and over	East	Central	South	West
% of respondents who buy private labels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	32.3	58.4	52.1	[illegible]	58.4	52.1	60.3	58.4	42.9	48.0	53.4

Source: The Gallup Organization for *APPAREL merchandising*

Consumer Watch
women's private label

Today's consumer buys this type of merchandise for herself. More than four in five women don private label goods. Children also are prime receivers of private label merchandise. Over 40% of the women buying unbranded merchandise report they are purchasing it for their youngsters.

How important is price?

Consumers buy private label merchandise because they feel they are getting the best buy for their money. Almost 50% said they were not paying as much for this type of merchandise as they were for national brands. This was the motivating factor as only one other reason chalked up a double-digit response. "better quality." Almost 20% of the women vowed they purchased private label goods because the apparel was well made.

Retailers take note: Prestige, styling and fit were each listed by fewer than 10% as reasons to buy, so if merchants want to increase private label assortments they had better take these factors into account. When asked why they purchased national brands, 12% of the women noted the styling was better and another 12% felt these goods conferred status.

Price is the overriding factor in buying private label
(% of respondents who cited reasons for purchasing private label)*

	Total	18-24	25-34	35-44	45-49	50 & older
Lower price	45.6	45.9	45.9	56.3	58.5	37.5
Better quality	18.9	21.3	16.6	18.3	15.4	20.3
Prestige	7.8	7.4	8.3	7.0	9.2	7.9
Better styling	7.3	14.8	4.4	1.4	3.1	9.3
Better fit	5.3	4.9	7.2	4.9	0.0	5.8
Other/ don't know	25.0	17.2	25.9	19.0	21.5	31.6

**Represents more than 100% due to multiple responses*
Source: The Gallup Organization for *APPAREL merchandising*

Consumers are most likely to buy private label in department stores
(In which store do you buy private label or store brand apparel?)*

	Total	18-24	25-34	35-44	45-49	50 & older
Dept. stores	47.4%	49.2%	41.2%	49.4%	32.4%	57.5%
Sears	40.6	31.7	49.6	49.4	51.4	26.4
Penney	38.4	27.0	45.4	53.1	43.2	25.5
Discount stores	29.8	30.2	31.1	32.1	35.1	24.5
Specialty stores	16.9	20.6	13.4	18.5	2.7	21.7
Ward	9.3	4.8	5.9	13.6	8.1	13.2
Off-price/ factory outlet	7.6	9.5	7.6	12.3	5.4	3.8
Catalog/ mail order	6.6	11.1	6.7	6.2	0.0	6.6
Other (specified)	5.4	6.3	2.5	4.9	10.8	6.6
Don't know	5.4	4.8	5.9	2.5	5.4	7.5

**Represents more than 100% due to multiple responses*
Source: The Gallup Organization for *APPAREL merchandising*

But again, surprisingly, the prime reason for buying national brands was the same reason for buying private label. A little more than one in four (the largest percentage of respondents) maintained they purchased brands because they are less expensive, perhaps indicative of the promotional sale environment in stores. And almost the same percentage as those who bought private label allowed the quality was better.

How much less for private label?

The largest number of consumers perceive private label merchandise to cost 10% to 19% less than national brands. One in three named this percentage grouping. One in four thought private label goods cost from 20% to 29% less. A little under 12% suspected that these goods cost 10% less than brands, while just about the same percentage believed that private label goods were 30% to 50% less.

Where is private label bought?

Because most women identified store labels as private label merchandise, consumers indicated they bought these goods at department stores. Nearly 50% said they went there to secure private label merchandise.

Sears came close behind, with a little over 40% noting they shopped the nation's No. 1 retailer for private label. Next came Penney, with 38% of the women flocking to this chain. Fewer than 30% of the women maintained they buy them at discounters.

Surprisingly, only 17% said they headed to specialty stores. As these stores are known to have apparel made for their operation, it seems consumers are not aware that, for example, Hunter's Run at The Limited is private label merchandise. Another surprise was the fact that only about 7% said they buy private label from catalog/mail order enterprises as many of these operations specialize in private label.

What items are not bought?

Very few. Consumers are open to most apparel items. Nonetheless, women are least likely to buy skirts and pants that are private label, points out the *Am*/Gallup research. Even so, only 15% said they would not purchase these two apparel classifications, if they could not buy national brands.

For most other apparel categories, women did not seem to register much difference whether the apparel was branded or not. Only 5.6%, for instance, said they would not buy a suit unless it was a national brand; 8.6% for blouses and shirts; 6.4% for underwear, and only 2.4% for outerwear.

When buying children's wear, women voiced very little complaint about purchasing private label merchandise. Less than 4% of those surveyed seemed to care about buying branded children's wear.

How much is being purchased?

Consumers are buying the same amount of private label merchandise they purchased two years ago, according to the *Am*/Gallup research. Nearly 50% said they would buy the same amount, while 11.5% said they would buy more and nearly 30% said they would buy less. The remainder are not sure.

As might be expected, the main reason why they are buying the same amount or more is because the price of these items is right. Other reasons included more money to spend (14%), need more clothes (10.8%) and quality (10.8%).

CHILDREN'S WEAR

Discounters Excel In Kids' Overalls Market

Mothers make no bones about it. They want inexpensive children's wear. Result: They're shopping discounters.

Consumers expect to pay less for kids' overalls in '83 than in '81.

Discounters, led by Troy, Mich.-based K mart, have increased their potential share of the children's overall market, according to the results of the latest *CSA*/Leo J. Shapiro & Associates survey of consumer buying intentions.

K mart, in fact, almost tripled its share. Of those women asked, 16.7% said they would probably buy children's overalls at K mart in 1983 compared with 5.7% in 1981. For all "discounters," including K mart, 26.9% of the women said they would shop at a discount outlet compared with 22.7% in 1981—an 18.5% increase.

"Price/discount" was the primary reason women named for shopping these stores. More than 4 out of 10 said price was the determining factor while "quality" was a distant second, mentioned by 17.3% of the consumers.

The discounters' gain was apparently at the expense of Sears and J. C. Penney. Sears' share of the potential children's overall market dropped from 25% in 1981 to 18.5% in the 1982 survey. Penney's share dropped from 11.4% in 1981 to 9.3% in 1982.

Sears' potential market share loss could be attributed to an equivalent drop in women's preference for private labels. In 1982, 23.1% of those asked said they preferred store brands compared with nearly 30% in 1981—a 23% decrease.

But the survey results indicated that the brand of overalls has little bearing on the shopper's choice. Price, again, seems to be the key. For example, Health-Tex, the most frequently named brand in 1981 (mentioned by more than 12% of the consumers), dropped to 9.3% in 1982.

More than 40% of those asked indicated they had no brand preference—be it the store brand or name brands. Designer brands, in fact, virtually dropped out of sight in the 1982 results reflecting the deep, yearlong recession. In 1981, 5.7% of those women asked said they would purchase designer names such as Jordache and Sasson. Not in 1982, though. Only 0.9% named a designer line, and that was Izod.

Women also expect to pay less for children's overalls this year. In 1981, almost 50% said they would pay between $10 and $19 for overalls. Last year nearly 32% of those asked said they expect to pay between $5 and $9.99 for children's overalls. About 26% said they would pay from $10 to $14.99, while another 11.1% said they would be interested in children's overalls priced in the $15 to $19.99 range.

In Sears' case, the lower price expectations are being met. In the Sears 1982 fall/winter catalog, little boys' and girls' overalls were priced from $5.99 to $14.99.

For example, Sears offers a boys' cotton denim overall for $5.99. Other selections include a multipocket, twill overall for $9.99 and corduroy bib overalls at $9.99. In little girls, a 100% cotton, midwale corduroy is priced at $14.99 in the catalog.

Children's overalls at a glance

Store preference		Reasons for selecting a store		Price expectations		Brand preference	
Sears	18.5%	Price/discount	41.3%	$4.99 & under	7.4%	Private label	23.1%
Dept. store	17.6	Quality	17.3	5-9.99	31.5	Health-Tex	9.3
K mart	16.7	Location	11.5	10-14.99	25.9	Carter	5.6
Spec. store	9.3	Selection	10.6	15-19.99	11.1	Oshkosh	3.7
Penney	9.3	Past satisfaction	4.8	20 & over	4.7	All others	16.6
All others	28.6	All others	14.5	N/A	19.4	N/A	41.7

N/A—not answering
Source: *CSA*/Leo Shapiro & Associates

Sears, K mart test new hardware depts.
Venture hits strong comeback trail

Chain Store Age

GENERAL MERCHANDISE EDITION March 1983
ISSUED IN TWO SECTIONS SECTION ONE

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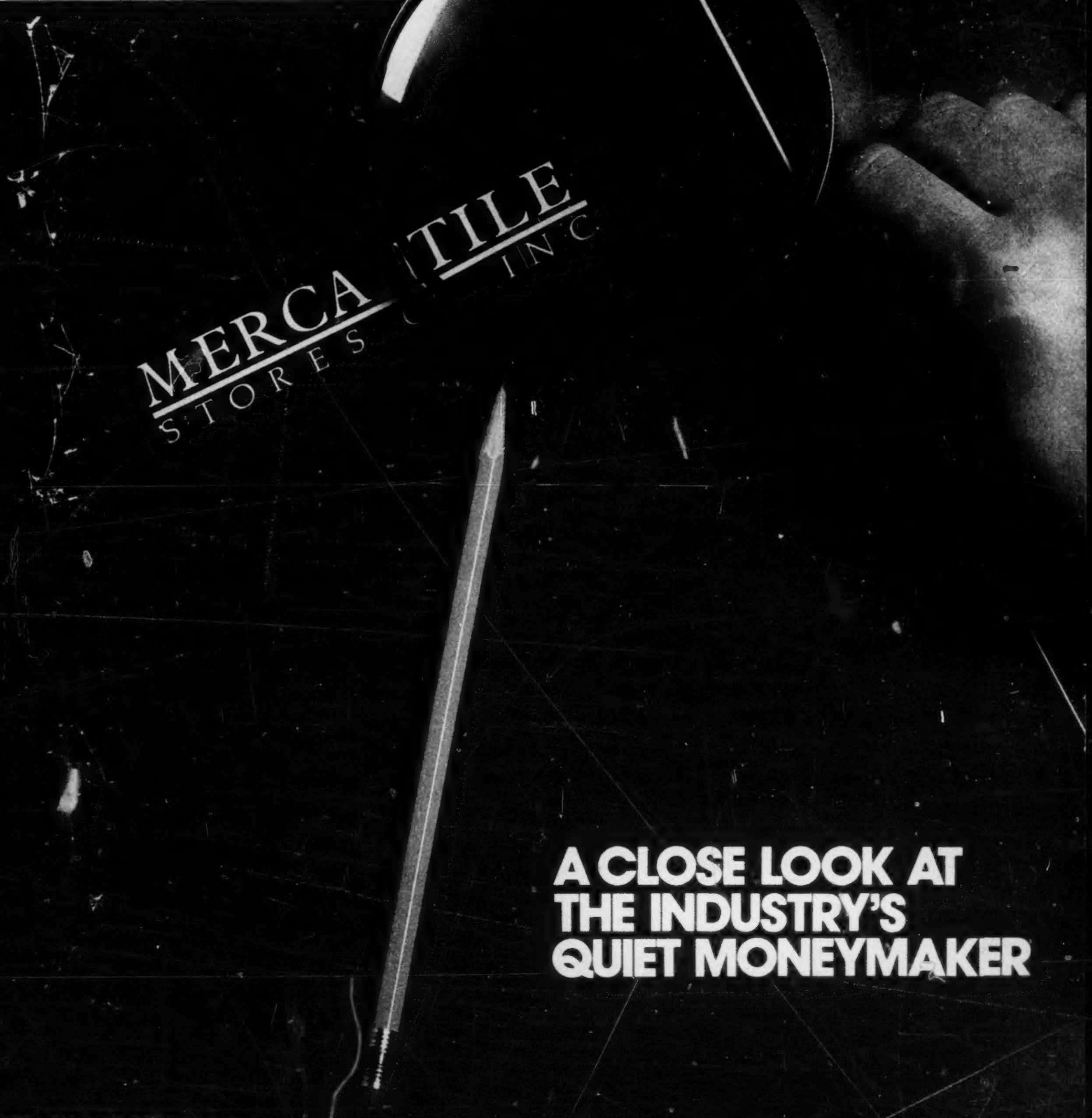

A CLOSE LOOK AT THE INDUSTRY'S QUIET MONEYMAKER

TWO DOLLARS PER ISSUE

IN THIS ISSUE

Quiet giant
Year in, year out Mercantile Stores is one of the best performing retailers. Mercantile's success formula? A hybrid approach combining the best of department store and chain management 17

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APPAREL merchandising—Section Two

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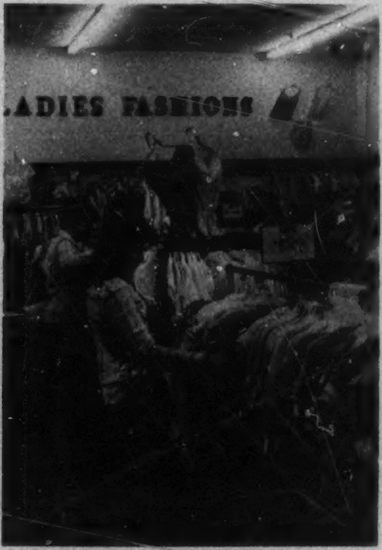
Mack stores finds new variety format

Mack stores has joined the increasing number of variety store chains working on new formats.

The Sanford, N.C.-based chain of 93 variety units has upgraded its apparel presentations, providing clearer departmental divisions, says Wilson Sawyer, vp store operations.

Mack experimented with the new format with five remodels last year and experienced 20%-40% increases in sales. The apparel emphasis even carried into the feature alleys which heretofore were dump bins. Now, four-way hanging racks display higher margined apparel down the center aisle.



***Old apparel sections** will be upgraded to delineate departments.*

The chain will remodel 31 stores this year and another 31 in 1984. Most will be in the 12,000-sq.-ft.-15,000-sq.-ft. range. Smaller stores will not get the facelift.

Mack also will be concentrating on its Maxway discount stores, which increased sales by 52% last year. To its original stable of four Maxways, the chain added one converted variety store last year. This year it plans to convert three more variety units to the discounter, those in Manchester, Ga., Spring Lake, N.C., and Hilton Head Island, S.C.

Powr Kraft: a brand of the past

Montgomery Ward's drive to become a national brand-name merchant continues to take hold as the estimated two-year lead time on private label deals penned before Stephen Pistner took control run out. The latest changes are found in Ward's 1983 spring/summer catalog.

Case in point, power tools. With few exceptions—a 3-in. by 18-in. belt sander for $49.99 is one, for example—Ward's Powr Kraft house brand has knuckled under to the realization that Sears' Craftsman line is virtually invincible in this category. Black & Decker and its well-known (to serious do-it-yourselfers) DeWalt division line along with Dremel equipment for home miniature hobbiests have filled the void.

Price points have also been nudged upward. A Powr Kraft ¾-hp router in the fall/winter '82 catalog was ticketed at $39.99. Black & Decker's comparable model is priced at $49.99 this year.

Vacuum cleaners may be a category still in transition, although Ward topsiders could not be reached for comment by presstime. Still being pushed under the Power II house label, catalog copy now reads, "Manufactured by Eureka for Montgomery Ward." Hoover is also represented in the mix. During the changeover, price points appear to have been held. An upright number with multibeat agitator is priced at $97.95 for both the '82 private label and the '83 "Made by Eureka" model.

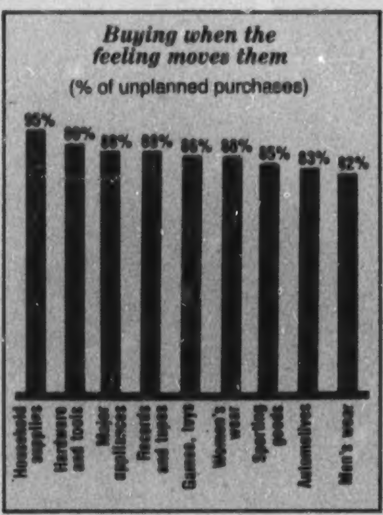
Ward strategists also seem to feel consumers have gotten the brand-name message. Missing from the new catalog is a page headed, "Watch for these and many more brand-name values!" which listed over two dozen nationally known names and soft lines fabrications in the fall/winter '82 edition.

You can count on impulse purchases

There are now statistics to backup those old retail adages about the importance of closing the sale and generating impulse buys via interest-grabbing displays and/or advertising.

The figures come from a consumer study conducted for the Newspaper Advertising Bureau by Response Analysis Corp. and presented at the National Retail Merchants Association meeting. While the overall consumer market is "very big," points out NAB, it's also "very thin" because few people are actually actively shopping for any particular item at any time.

For example during any given week only six out of 100 adults buy shoes for themselves or their children. Carrying that ratio to other lines of merchandise, the "handful of active consumers who bought only one of those items is worth so much to (retailers) that missing even one person in 100 can mean the difference between profit and loss."



Source: Newspaper Advertising Bureau

The NAB survey also found that for nine GM departments, more than 80% of all purchases are unplanned, resulting from an unanticipated event, an emergency, latent buying interest and true impulse buying.

NEWSVIEW

Men, women equal in tailor's eyes

That old standby of the men's tailored clothing business, the free alteration, is falling by the wayside. And while women's groups are applauding the elimination of this double standard (women are normally charged for alterations), the free alteration's demise is probably due more to economic pressures than charges of chauvinism.

After a one-year battle in Chicago, the National Organization for Women (NOW) claimed victory over two regional department stores. While the suit was in progress, Marshall Field's switched to a unisex alterations policy, charging for all adjustments for men's, women's, and children's clothing. Carson Pirie Scott adopted a no-charge policy for simple adjustments, with everyone paying for more complex ones.

Many other chains have also rethought alterations fees, but claim the high cost of maintaining this service rather than NOW threats influenced their decisions. The NOW suit apparently against Marshall Field's had no effect on Field's parent, BATUS Retail, which has no plans to apply lessons learned in Chicago to any of its other stores, like Saks and Gimbels.

DIYers opt for Big 3 when shopping hardware*

	Big 3	Discounter stores	All others**
Interior paint	25.9%	9.7%	59.5%
Paint supplies	17.0	14.8	64.0
Exterior paint	28.9	7.6	61.1
Varnish/stain	5.7	12.9	75.6
Wallpaper	5.8	9.9	76.2
Screwdrivers	35.9	12.1	39.0
Hammers	27.0	12.2	46.4
Adjustable wrenches	34.1	10.6	40.3
Hand saws	25.7	19.8	43.3
Electric drill	32.2	13.7	41.6
Electric circular saw	52.3	10.1	26.9
Electric sander	47.3	8.3	31.4
Chain saw	23.4	12.4	40.3

**Figures may not total 100% due to other store types not listed.*

****Includes Hardware stores, home centers, lumber and building materials outlets, specialty stores and nonretail channels of distribution such as catalogs, garage sales, etc.*

Source: Do-It-Yourself Research, 1982 Baseline Survey of the DIY customer.

Big 3 still tops in staple hardware

The Big 3 catalog chains, led by Sears, dominated the staple paint and hardware markets again last year, according to the 1982 Do-It-Yourself Research Institute survey.

In paint, for example, 25.9% of the DIYers asked bought interior paint at a Big 3 outlet compared with only 9.9% at a discount store. For exterior paint, 28.9% shopped a Big 3 store vs. 7.6% heading for discounters.

This trend carried over into the hand tool category. More than a third of the DIYers preferred the Big 3 for screwdrivers compared with only 12.1% opting for discounters. The Big 3 also topped the discounters as the place to shop adjustable wrenches by a 3-to-1 margin.

What's also interesting is that discounters are finding their national brands stymied in trying to break the stranglehold the Big 3's private labels—especially Sears Craftsman line—have on the power tool trade. Only for chain saws do discounters edge above half of the Big 3's share of market.

Correction

The January 1983 report on crafts (page 128) incorrectly attributed a program to McCrory stores. It involved a program from G. C. Murphy stores and buyer James Rist.

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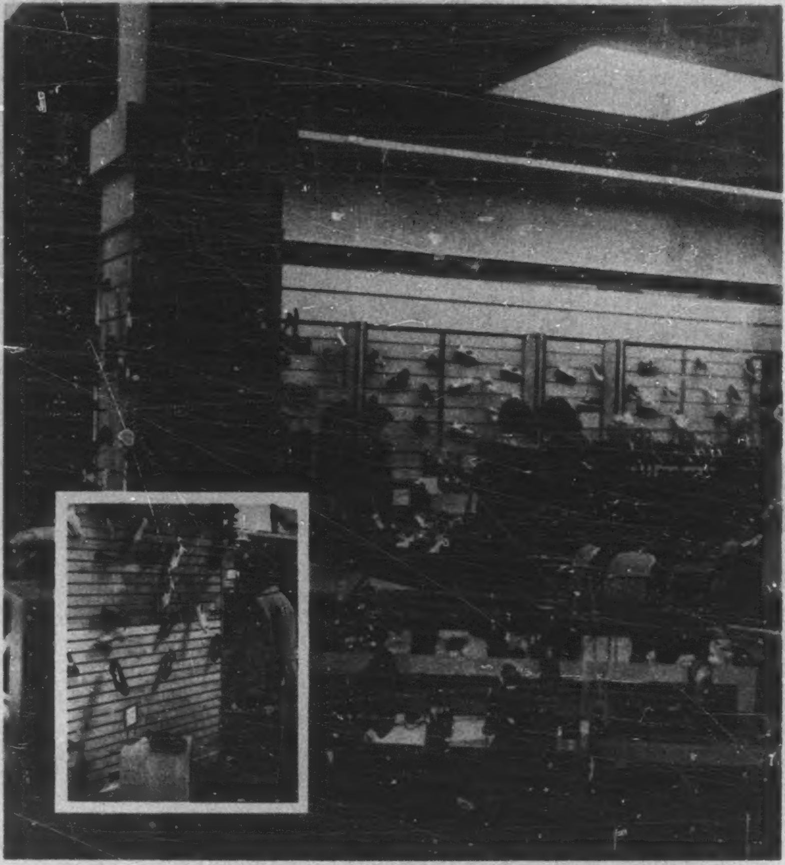
Chain Store Age

Mercantile: mysterious, profitable



Shoe department takes on "cookie-cutter" look at two divisions' stores.

Perhaps it's the company's markets: generally they are small- to medium-sized cities spread throughout the Midwest, Southeast and Northwest.

Or maybe, as a function of these markets, the stores are not seen by the industry as display and presentation leaders.

Or maybe it's because more than 40% of the company's stock is closely held by corporate executives and the Milliken family.

Probably, it's a combination of the three that contributes to the low profile and mystery surrounding Mercantile Stores Co. Inc.

The relative obscurity of the company—hardly a retail analyst follows Mercantile and hardly a reporter writes about it—belies the clout and financial stability enjoyed by the 84-store, $1.4 billion retailer.

In its trading areas it is either the leading merchant or gaining market share, even against such corporate giants as Macy's in Kansas City and Federated's Shillito/Rike's in Louisville.

Year-in, year-out Mercantile has racked up some of the best financial results in the industry. It has accomplished this feat through shrewd melding of some traditional department store strategies with an enlightened approach to chain store operations.

The two most consistent performers, Macy's and Mercantile, are both *exclusive* department store operations. "We don't scatter our concerns," says a high-ranking Mercantile official. "We concentrate on one type of store—department stores."

This "stick with our knitting" philosophy allows Mercantile to stay one step ahead of the competition. In the late 70's, Mercantile saw the need to change its stores' images from volume leaders to fashion. Mixes began shifting to an 85% soft goods/15% hard goods ratio.

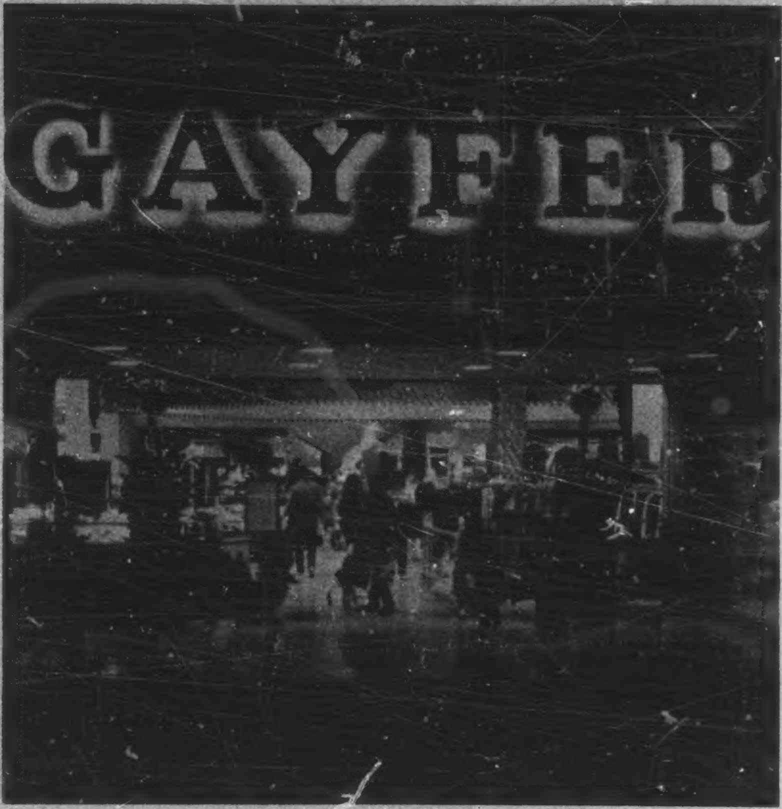
Currently, stores are upgrading a few departments at a time, in both merchandise and presentation, to tighten grasps on market shares. One corporate source confides that the company is working piecemeal to adjust the Mercantile customer slowly, as well as to amortize costs over a longer period of time.

Mercantile has been an innovator in private label merchandise since the 1940's.

High-ranking insiders insist that each of the 13 divisions is autonomous in its merchandising. But similarities in mix and store appearances lead one to suspect strong headquarter influence. New stores tend to look alike and even remodeled ones take on a "cookie cutter" appearance. "When we make a suggestion to one store, it generally can be applicable to all," relates a company insider about headquarters' role.

Moreover, substantial coordination between divisions through the New York main office tends to blur individual divisional identities. Coordination includes some central advertising and promotions for such items as domestics and a strong private label program that accounts for some 20% to 25% of the merchandise mix but as high as 50% of the sales.

Private label leader. While most department store retailers are now re-emphasizing private label items, Mercantile has been an innovator in this area since the 40's. Its private label brands such as Royal Knight (men's and boys'), Merville (wom-



Gayfers, Mobile, Ala., is the largest division, with $250 million in sales.

en's accessories) and First Lady (home furnishings) are well received by Mercantile's loyal customers.

Private label emerged as the path to follow when Mercantile foresaw competition growing from department stores for high-end merchandise and from the national chains for the moderate business. Led by Harold Jockers, president at the time and current chairman of the executive committee, Mercantile developed moderately priced, high-margin private label lines.

Private label merchandise proved a good weapon against the chains while enabling Mercantile to be price competitive on brand-name items compared to other department stores.

Retail analyst Thomas Farley, sr. vp of L. F. Rothschild, Unterberg, Towbin, suggests that Mercantile's private label program was a main influence on the company's decision not to become more promotional during the past year, despite the highly promotional atmosphere that was surrounding it. During the first nine months of '82, gross margins increased 0.6% to 32.7%. Private label also helps explain the increase in gross margin from 1980's 31.4% to 1981's 32.1%.

Trimming the fat: Keeping the company lean by reducing overlap among divisions has always been a high priority with Mercantile. Mercantile has been a frontrunner of department store companies when it comes to centralized operations, finding it a more efficient and cost-effective way to do business. It was one of the first to move to the LIFO system of accounting and to computerize its accounting and departmental records in the early 60's.

Another way the company trims the fat is by reducing overhead in its smaller-volume divisions. Most recently, it merged the merchandising staffs at Root's with Bacons and at Glass Block with Hennessy's.

The company's financial stability can be attributed to the way in which Mercantile's management polices its bottom line. It is a fiscally conservative company that often delays capital projects when it perceives the return-on-investment to be less than optimal. As a result, its

Sales jumped 12% with no increase in stores

	Stores	1982 sales* (000 omitted)	Stores	1981 sales* (000 omitted)
Mercantile Stores Co.	84	$1,425,640	84	$1,269,491
Gayfers (Mobile, Ala.)	12	250,000	12	225,000
McAlpin's (Cincinnati, Ohio, and Lexington, Ky.)	9	240,000	9	215,000
The Jones Store Co. (Kansas City, Mo.)	7	150,000	7	130,000
Castner Knott Co. (Nashville, Tenn.)	10	140,000	10	125,000
Joslins (Denver, Colo.)	7	125,000	7	110,000
Gayfers/Montgomery Fair (Montgomery, Ala.)	6	115,000	6	100,000
J. B. White (Augusta, Ga., and Columbia and Greenville, S.C.)	6	100,000	5	90,000
Bacons (Louisville, Ky.)	6	95,000	5	85,000
Lion (Toledo, Ohio)	3	80,000	3	70,000
Remaining divisions:	18	130,640	19	119,491
• Glass Block[B] (Duluth, Minn.)	1		1	
• deLendrecie's (Fargo, N.D.)	1		1	
• Hennessy's[B] (Billings, Mont.)	3		3	
• Root's[A] (Terre Haute, Ind.)	3		3	
• The Right House (Hamilton, Ontario, Canada)	3		4	
• The Peoples Store (Tacoma, Wash.)	7		7	

[A] *merged in 1983.*
[B] *merged in 1983.*
Source: *CSA research*

Mercantile strong across the board

Rank*	Chain	1981 sales (000 omitted)	% 1981 sales gain	% 1981 op. prof.[1] gain	% op.prof. to sales	Sales per gross sq. ft.	Op. Prof. per gross sq. ft.	% op. prof. return on equity	% op.prof. return on assets	% compound op. prof. growth '77-'81	% compound sales growth '77-'81
1.	R. H. Macy	$ 2,979,391	+12.1	+18.8	11.0	$133.88	$14.72	43.8	20.2	+18.6	+12.9
2.	Mercantile	1,289,491	+14.6	+34.5	9.2	125.28	11.56	31.4	16.5	+15.6	+12.6
3.	Federated[2]	5,222,200	+12.6	+16.3	10.6[3]	123.06	13.01	N/A	17.6	+ 6.9	+ 9.9
4.	Allied	2,732,700	+20.5	+24.5	6.9	82.79	5.[illegible]	24.4	15.5	+ 5.2	+ 9.4
5.	Associated Dry Goods[2]	2,158,776	+10.6	+21.4	7.6	77.04	5.86	N/A	14.7	+11.3	+10.1
6.	May Co.[2]	2,520,400	+ 6.9	+ 8.4	9.5[3]	85.47	8.15	N/A	13.8	+ 7.2	+ 7.1
7.	Marshall Field	1,193,961	+17.9	+ 3.4	4.3	86.58	3.76	16.3	7.6	+ 9.9	+11.9
8.	Carter Hawley Hale[2]	1,927,600	+ 7.0	−15.3	5.2[3]	87.76	4.60	N/A	10.4	− 2.8	+13.6
9.	Dayton Hudson[2]	1,285,500	+ 6.8	− 4.4	7.0[3]	118.87	8.31	N/A	11.4	− 3.9	+ 5.1
	Composite	21,297,019	+12.1	+13.8	8.5	100.49	8.54	N/A	15.3	+ 8.0	+10.1

[1] Operating profit equals net sales minus cost of sales, selling, administrative and general expenses. [2] Department stores only. [3] Operating profit as reported.

**Ranking based on all ratios except 1981 sales and return on equity.*

Source: CSA research, annual reports.

debt to equity ratio dropped from 46.5% to 32.2% in the three-year period between 1978 and 1981.

Mercantile has had a 12% compound sales growth rate over the past 10 years that has come largely from sales intensification of existing stores. Eighteen stores closed in nine years, being replaced by newer, more efficient units in the same markets. Capital expenditures for new stores and remodeling of older ones are financed from within. The total net increase was 12 stores over the nine-year span.

Compared to other major department store companies, Mercantile rates second place in net earnings, net sales, return-on-average-equity, return-on-assets and compound growth for 1977 through 1981. Its 1981 sales per square foot was $125.20 vs. Macy's, the leading department store company, $133.90 (see *CSA*, June 1982).

Upward mobility: Traditionally, Mercantile promotes from within as exemplified by chairman and ceo Leon Winbigler.

Winbigler began his career with Mercantile in 1948 as a trainee at The Jones Store. One year later, he moved on to Root's where he was store superintendent for the following three years. In 1952, he was named merchandise manager of ready-to-wear and in 1954 he was promoted to president of the Root's division. From there he went on to become president of MacDougall & Southwyck in 1955 (now closed) and president of Lion in 1962.

After 20 years with Mercantile, Winbigler was appointed vp of the company. Five years later he accepted the title of corporate president and in 1975, at age 44, he took over the position he now holds.

Though promotions from within have not hindered Mercantile's position to date, the inbred characteristic could pose problems later on if management does not continue to be progressive and flexible in its planning. ☐

Strategic shifts in new Bacons

Bacons, like many of its sister Mercantile divisions, retreated from the downtown Louisville area in the early 70's. However, in an unusual about face for Mercantile, Bacons returned to the inner city 10 years later.

The new 90,000-sq.-ft. store opened in September 1982 in The Galleria shopping mall. It is the newest member of the Mercantile family and the sixth store for 138-year-old Bacons, Mercantile's oldest United States division.

The Galleria store best highlights Mercantile's merchandising direction for the future—including a tentative upgrading of presentations. It contains no hard lines merchandise, such as housewares or furniture (already being edited down in other units) and concentrates on apparel, particularly women's which along with juniors garners a conservative 30% of the total store selling space.

Local sources estimate that The Galleria will add $12 million (after one year) to Bacons 1982 estimated sales volume of $95 million. A company executive says that would position the store as the third-largest volume Bacons, behind Bashford Manor and Shively, and just ahead of 100,000-sq.-ft. St. Matthews.

More importantly, space productivity in the unit could hit $133 per square foot over the corporate's average of $125. Until last month, same stores' productivity was an important issue with Bacons because its avenues for expansion seemed blocked. The eighth-largest Mercantile division was locked into its territory by three sister divisions: McAlpin's in Lexington, Ky., and Cincinnati, Ohio; Castner Knott in Nashville, and Root's in Terre Haute, Ind.

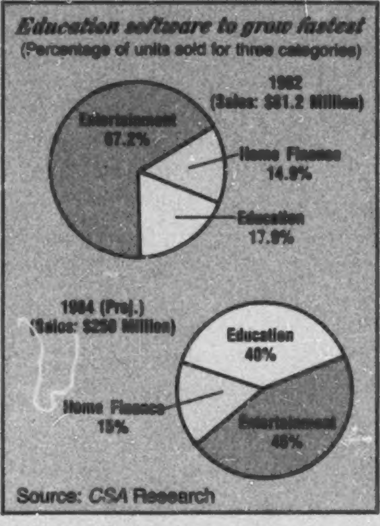
At the close of the fiscal year, Mercantile decided it would be more cost-effective if it merged the merchandising operations of Root's and Bacons under the supervision of Bacons president Martin Margulis. Root's president, F. C. Schrohe, retired after 30 years with mercantile. This divisional realignment will allow Mercantile to push Bacon's Indiana penetration—curfield. "We are already ahead of plan in sales for all of the computer stores," says Greenberg. Once a track record has been established for the flagship store, the computer store will be expanded into branches in the metro New York area. ☐

Software shift seen, but games still lead

Retailers may be stocking their shelves with a greater variety of computer software, but the expected boom in home finance and education sales still hasn't happened.

"Customers are coming in and talking about educational programs," says Laddie Luljak, electronics dmm at Foley's in Houston, "but they're buying games."

Last year, game programs captured between 60% and 70% of total 1982 home computer software sales of $81.2 million. Education programs accounted for $14.5 million in retail sales last year and about $12.1 million was spent on home finance items.



Source: *CSA* Research

In 1984, education program sales should increase nearly sevenfold to $100 million. "The key is going to be whether or not enough software is available at a more advanced level," adds Luljak. "Right now, everything is just too basic."

At a Chicago department store with sales of more than $320 million, however, the consumer electronics dmm says he expects to sell more educational software "from the very start based on the computers we will be carrying, although games will be a very close second." His departments will stock Mattel's new Aquarius computer and Commodore's VIC-20 and 64 models.

The one area that is not faring well is home finance. Although dollar volume is expected to increase to $17.5 million in 1984, as a per cent of sales home financial programs will remain stable at about 15%. Retailers agree that the computer will have to become a far more common household appliance before it is used for other than business, entertainment and educational purposes. ☐

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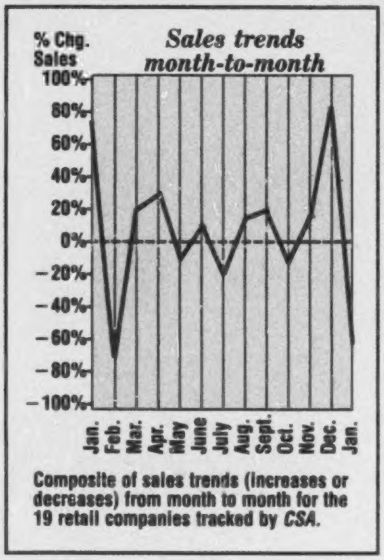
Jan. sales receive mixed reviews

Retailers and industry analysts looked at the improved January sales results and hedged their bets. On one hand, they said, the sales jump—12.1% in the *CSA* tracking—was a clear signal consumers were spending again. On the other hand, volume was compared to a frigidly cold January 1982 when the country was smack in the middle of a recession.



Composite of sales trends (increases or decreases) from month to month for the 19 retail companies tracked by *CSA*.

May Dept. Stores and Montgomery Ward are examples of many chains whose sales compared well with poor January '82 results.

May's sales jumped 17.7% and recorded, a company spokesman said, the "best monthly store-for-store performance in more than seven years."

Last January, though, sales were up only 1.6% over January 1981. Ward also profited from year-to-year comparisons. The Chicago-based chain's January 1983 sales were up 12.3% compared with a 10.1% *decrease* in January 1982.

Meanwhile, Sears continued to make headway as its January sales increased 5.5%. Sears achieved the hike despite operating 22 fewer outlets even compared to a moderately good January 1982 increase (6.1%). January volume was spurred once again by strong big ticket appliance sales, said merchandising chairman Edward Brennan.

Other chains also posted strong results—even when compared with strong January 1982 increases.

Dayton Hudson sales were up 27.5% including a 26% increase for its Target discount division. Zayre sales, led by the specialty divisions, jumped 23.9%.

Fort Worth-based Tandy's sales were up 25%. Wal-Mart's same-store revenues jumped 13%. And New York-based Mercantile was up an impressive 18.2% on a store-for-store basis.

Sales for the 12-month *CSA* survey were up a paltry 5.9%, however, on sales of $98.4 billion. But if there's a proverbial silver lining to the year-end tally it's the industry's 1983 figures should be very strong in comparison—as long as consumers jump on the recovery bandwagon.

January heats up over icy '82

		JAN. SALES*		STORES		12-MO. SALES*		
MAJOR CHAINS	% change	1983	1982	1983	1982	1983	1982	% change
SEARS[1]	+ 5.5	1,260,914	1,194,682	829	851	20,178,144	19,674,751	+ 2.6
PENNEY	+ 9.2	569,000	521,000	2,053	2,085	10,364,000	10,165,000	+ 2.0
WARD[1]	+ 12.3	336,037	299,273	386	389	5,618,518	5,683,079	− 1.1
FEDERATED[5]	+ 16.2	480,300	413,300	410	N/A	7,698,700	7,001,600	+ 10.0
DAYTON HUDSON	+ 27.5	333,498	261,643	980	924	5,531,722	4,481,308	+ 14.3
MAY DEPT. STORES	+ 17.1	203,600	173,900	1,468	1,273	3,653,600	3,400,800	+ 7.4
CARTER HAWLEY HALE	+ 14.0	188,500	165,400	1,026	948	3,054,000	2,870,700	+ 6.4
MERCANTILE	+ 18.9	86,289	72,599	85	83	1,428,051	1,269,490	+ 12.5
K MART	+ 2.0	1,000,975	981,291	2,373	2,374	16,772,794	16,527,012	+ 1.5
WOOLWORTH	+ 32.4	440,442	332,690	N/A	N/A	7,507,569	7,185,997	+ 4.5
HOUSEHOLD MERCH.[2,3,5]	+ 5.0	203,155	193,472	3,756	3,829	2,964,592	2,925,396	+ 1.3
WAL-MART	+ 33.3	236,000	177,000	541	491	3,376,000	2,445,000	+ 38.1
T.G. & Y.	+ 7.7	134,715	125,074	894	923	2,133,341	1,914,667	+ 11.4
ZAYRE[4]	+ 23.9	96,441	77,860	617	589	2,139,500	1,797,134	+ 19.1
MURPHY	+ 1.8	45,236	44,456	422	435	822,280	817,823	+ 0.5
ROSE'S	+ 28.3	30,842	24,031	238	234	661,834	594,740	+ 11.3
MELVILLE	+ 12.3	185,303	164,946	5,480	5,154	3,403,670	2,880,193	+ 18.2
TANDY	[illegible]	[illegible]00,637	160,458	N/A	N/A	2,294,572	1,905,393	+ 20.4
EDISON BROS.	+ 2.4	55,790	54,478	2,169	2,114	971,842	1,005,914	− 3.4
TOTALS & AVERAGES	+ 12.1	**5,952,959**	**5,312,479**			**98,441,308**	**92,991,335**	+ **5.9**

**000 omitted. N.C. = no change. N/A = not available.*
[1] Store number for full-line outlets only. [2] Includes 2,814 franchise stores (vs. 2,857 a year ago). [3] Includes T.G. & Y. sales. [4] Includes 264 Zayre stores (vs. 258 a year ago), 267 Hit or Miss stores (vs. 245) and 86 T. J. Maxx stores (vs. 64). [5] Excludes supermarket sales.

Wieboldt in black, chairman credited

Jerome Schottenstein may be the best thing to hit Wieboldt Stores in a long time. Schottenstein was named chairman last November, leading some retail watchers to wonder if he would close Wieboldt.

But breaking with tradition so that "these positive results . . . [would] not go unrecognized," Wieboldt reported a $1.62 million profit for the last three calendar months of 1982, according to pres. David Keller. These earnings came on $64.6 million in volume and represent a 62% jump over the same period in '81. They also offset some of the $2.8 million lost by the retailer during the first nine months of the year.

Keller credits some of the black ink to "good buys on merchandise we can sell as values" secured for Wieboldt by Schottenstein.

APPAREL merchandising

C5150-7 4/11/83

UNMASKING BLOOMINGDALE'S

PENNEY SUITS UP FOR SUCCESS

GALLUP POLLS MEN ON PRIVATE LABEL

APPAREL
merchandising

12 The store of the 60's is finding the 80's are not so high-flying: Bloomingdale's is going through an identity crisis. Last year sales were flat.

17 Walk down to the basement of Dayton's St. Paul store and enter The Club, a dazzling male environment that integrates upstairs resources with budget lines.

20 The male private label customer is the one most sought after. A Gallup survey found him to be 25-34, college educated and earning $25,000-plus.

23 Penney, the nation's leading retailer of men's tailored apparel, is going after a 50% increase in business in '83, banking on its Stafford and Gentry labels.

COVER PHOTO BY RICK BARRICK
MASK BY KATHY JEFFERS

p. 17

25 No. 2 Sears is struggling in men's suits, but remains committed to tailored apparel with a five-pronged suit program with price points of $99 to $150.

p. 29

DEPARTMENTS

29 One out of four men is under 5'7". There is a growing list of specialty retailers investing in inventories to cater to short men.

33 Men's socks business appears to be recession proof. Store brand and mid-calf lengths are preferred. Vibrant colors boost sales.

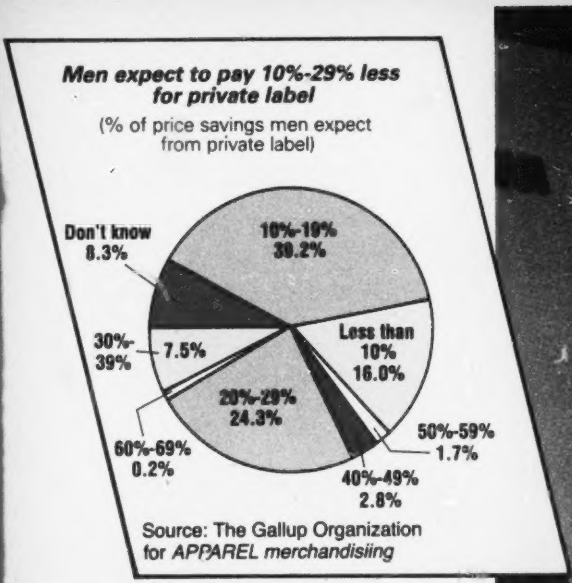
34 Free to be feminine, women are again buying dresses. Tonnage will move in the $70-$100 range at department stores, $30-$50 at Mervyn's.

37 Legwarmer business is still good in department stores but has become a staple. It has taken off, however, at discount stores.

41 Letting the customer mix and match has increased sales of children's separates. Strong color statements are gaining in display popularity.

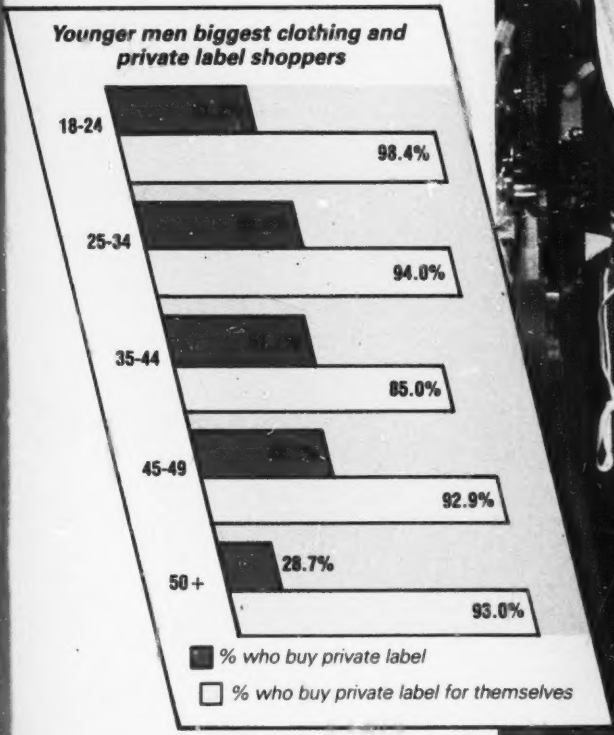
44 Kids want to look like grown-ups. It should be no wonder, then, that designer jeans sales are down and basics like Lee and activewear are up.

48 It was time to swim downstream, so department store merchant Roger Goddu plunged into Target, first in men's wear and now women's wear.


Men expect to pay 10%-29% less for private label

(% of price savings men expect from private label)

Source: The Gallup Organization for *APPAREL merchandisiing*


Younger men biggest clothing and private label shoppers

Sears, department stores first with private label shoppers

(Where are men buying private label?)

Store	All age groups	18-24	25-34	35-44	45-49	50+
Sears	**37.5%**	**33.[illegible]%**	**36.9%**	**60.0%**	**46.4%**	**19.7%**
Penney	33.2	35.5	26.2	50.0	50.0	18.3
Ward	13.4	16.1	9.5	26.7	14.3	2.8
Dept. stores	**37.5**	**37.1**	**35.7**	**38.3**	**46.4**	**36.[illegible]**
Specialists	15.6	17.7	11.9	20.0	—	21.1
Discounters	23.8	27.4	15.5	30.0	32.1	21.1
Other	20.5	20.9	15.5	28.3	17.8	21.1
Don't know	7.5	9.7	8.3	3.3	3.6	9.9

Totals add up to more than 100% due to multiple mentions.
Source: The Gallup Organization for*APPAREL merchandising.*

Consumer Watch

men's private label

PHOTOGRAPH BY PHIL HUBER/BLACK STAR

Men are somewhat less likely to buy private label merchandise in general than female shoppers (44% vs. 50.6%). However, when it comes to making purchases for themselves, 9 out of 10 men surveyed by The Gallup Organization for *APPAREL merchandising* said they bought private label.

That translates into a bright future for private label men's wear. While the percentage of private label at the catalog chains and discounters has declined as these retailers expand into national labels, department stores and specialists are intensifying private label men's wear. "Private label is much more of a factor than it has been and is definitely the direction we are headed," says Jim Ellis, div. vp at Los Angeles-based The Broadway.

The growth in private label has come in response to both price footballing of branded items and the proliferation of national brands, once exclusive to department and specialty stores, into low-margin chains. "The development of private label is a necessity to combat low-margin stores," says Burton Tansky, president of Saks Fifth Avenue in New York. Jordan Marsh is moving more into private label, says Matthew Powell, dmm/men's, to insulate itself from the high concentration of discounters in its New England area.

The private label customer as depicted by the Gallup study is one retailers are going after. The groups most likely to buy private label merchandise were the 25-34-year-olds, those with college educations, and those who earned over $25,000 per year. In the 18-24 age group, men were as likely to buy private label as women the same age (51.2% vs. 51.6%). When they bought private label, 98.4% bought for themselves.

Almost half of the men polled bought private label instead of national brands for lower prices. Surprisingly, the youngest age group was also the most price-conscious.

Men were less sure as to why they bought national brands. One-quarter chose brands for quality, but one-fifth also picked up brands because of their low prices. The third most frequently offered reason for buying brands was prestige, with 13.3% of those polled picking up brands for this reason.

Two-fifths of the men expected to pay 10%-19% less for private label merchandise. Another one-fourth saw 20%-29% savings, and 16% of the men interviewed expected to pay only 10% less for private label than branded items.

Sears is shopped as often as department stores for private label men's wear, with an equal number of men, 37.5%, shopping at each. Department stores were the most popular among the 18-24 group, with 37.1% shopping there. Sears edged out department stores among the 25-and-older crowd. In the 45-49 age group, Penney was the most popular store for private label, with half of those men shopping there.

Men may actually be doing more of their private label shopping at the catalog chains than they realize. While more than a third of the men surveyed recognized a store name as private label, only 8.9% knew Penney's Fox brand was a private label, and even fewer (4%) recognized Sears' Dragon as private label.

Regardless of where they buy private label, men do so for lower prices. More than half of the men who bought at department stores, discounters, Sears, Penney and Ward bought private label for low price. Almost two-fifths of specialty store shoppers bought for price.

Department and specialty stores are actively going after this price/quality shopper with private label. "Private label is not for all stores," says Phil Miller, president of Neiman-Marcus in Dallas. "The store must have a name and image developed over the years."

One such store is Chicago-based Marshall Field's, which is going after every level of shopper with such labels as ClubFellow, Field Standard and Field Sport. Even as branded margins erode in price wars, Field is maintaining margins through private label.

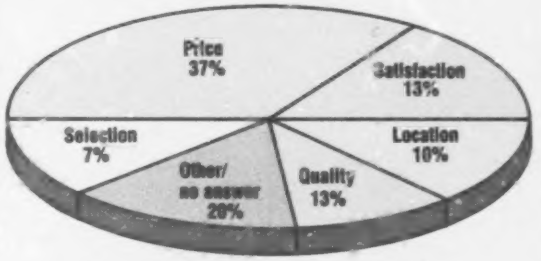
Private label, says Saks' Tansky, "gives each store the opportunity to develop quality in a product, to relate price to value." The dilemma that retailers now face, Tansky adds, is to decide what the proper balance is between private label and national brands that discounters have. **Am**

Men's Socks Toe A Solid Line

Socks are moving out of stores despite the economy. Men are buying socks to replenish wardrobes, add color.

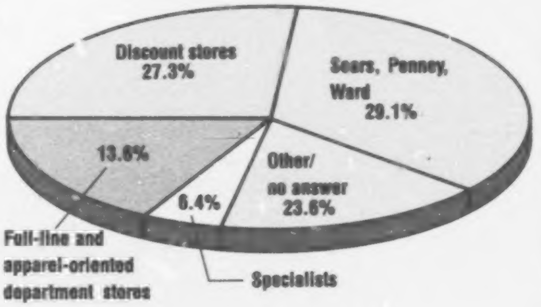
Price is most important to men

(Reasons for buying socks at a specific outlet)



Most men plan to buy socks at low-end stores

(Store where most likely to buy)



Source: *CSA*/Leo Shapiro & Associates

The recession that affected retail sales last year had little impact on men's sock sales. While sales in other apparel categories were often flat from '81 to '82, sock volume increased over the previous year. At Hudson's in economically hard-hit Detroit, for example, men's socks were up 8%-10%, says Art Fasoli, basic furnishings buyer.

Men are buying socks whether they've been hit hard by the recession or not. In a study conducted for *CSA/Am* by Leo Shapiro & Associates, one-fourth of American men interviewed planned to buy socks this year. That percentage might not be terribly impressive, but the men went on to say they would *not* delay buying socks this year even if they cut back on spending.

Almost two-thirds wouldn't postpone sock purchases, even though almost half expected that it would be harder to pay bills this year than last. More than half had already slashed clothing purchases in general. But of 12 apparel items tracked by Shapiro, shoppers were least likely to delay buying socks.

Only 15.5% of the men surveyed had actively shopped for socks in recent months. Tom Nagamitsu, hosiery buyer at Minneapolis-based Dayton's, sees a large part of sock sales coming from replacement buyers who shop when the need arises.

Besides the fact that men always need socks, socks do well in hard times because of their low tickets. Most of the men surveyed by Shapiro expected to pay under $3 for socks, with $2.60 given as the median price.

When men do actively shop for socks, they shop price. Price was the main reason why 37% of men bought socks where they did. Only 13% choose a store for socks because of quality or satisfaction with past purchases.

Men would most likely go to either a discount chain or Sears, Penney and Ward to look for socks and to buy socks. While the largest group of men (29.1%) said they'd look for socks first at a discounter, more men (29.1%) would actually buy socks at Sears, Penney, or Ward than at a discounter (27.3%). The No. 3 choice for sock purchases was full-line and apparel-oriented department stores, with 18.1% of the men surveyed planning to buy socks there.

Store brands rated highly among men. More men planned to buy private label hose than any single national brand. Sixty per cent also planned to buy a midcalf sock for their next sock purchase.

Replacement buying alone, however, doesn't account for socks' healthy outlook. Particularly for department stores, which aren't capturing the price-conscious customer segment, the vibrant color spectrum now available and fashion appeal of patterns, such as argyles, have helped to boost sock volume. "Fashion and color interest are keeping socks alive," says Hudson's Fasoli.

Discounters like Bentonville, Ark.-based Wal-Mart are also seeing colored socks walk out of stores. "Colors make the sock area more exciting," says a source at the discount chain.

Colors also appeal to another big segment of the sock-buying public: women. Dayton's Nagamitsu estimates that up to 80% of all sock purchases are made by women for men. Women, say department and discount store buyers, are much more likely to buy colorful socks for men than the men are for themselves. *Am*

C5150-7
4/22/83

Store managers speak out: exclusive survey

Heritage lines bring Lechmere back

Chain Store Age

GENERAL MERCHANDISE EDITION April 1983

BUYING OFFICE

THE NAME GAME: LICENSES LINE UP FOR THE 80's

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Beads come back, but go again fast

The adage that fashion has a way of repeating itself doesn't only apply to soft lines, where today's heady trendsetters are taking their 50's vintage circle skirts out of mothballs. Style, apparently, has an "every decade" cycle in hard lines as well.

More than 10 years ago they were called love beads. This go round, they're Friendship Beads. Whatever the name, retailers report the gimmicky little package was one of the hottest-selling, if short-lived, fads early this year.

"We sold $900,000 worth in a month and a half and reordered," says the buyer for one East Coast discount chain. "Sales have really slowed down and I'm worried about eating these things."

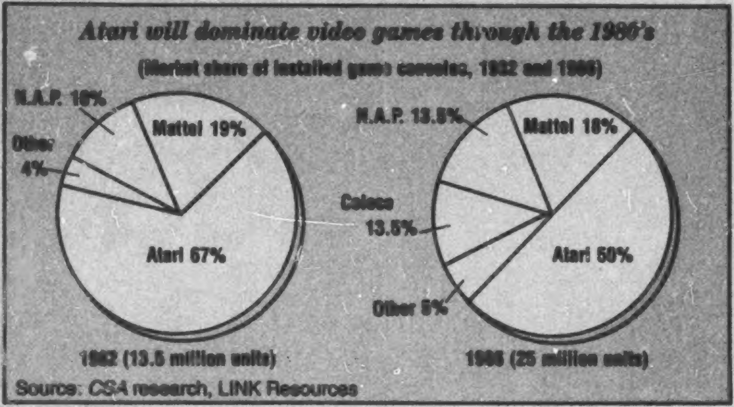
"These things" are safety pins and colored beads—with price points ranging from 98¢ to $1.39—which kids are stringing together and sticking on their shoes. Different colored beads have different meanings and Target buyers, for one, picked up on the trend watching the kids.

These beads mean something to someone . . . and volume for retailers.

"They were most popular with girls between 3 and 12," says a Target spokesman. "We originally saw the items being sold separately and put them together in a package."

Target merchandised the Friendship Beads in notions and moved over half a million units in about six weeks. Other stores reportedly used dump bins and endcaps near the checkouts to display the goods.

"It'll be around again," quips the Target insider, commenting on stores that overbought in anticipation of a lasting fad, "with just a slightly different wrinkle to make it new."



Atari will dominate video games through the 1980's

(Market share of installed game consoles, 1982 and 1986)

Source: *CSA* research, LINK Resources

Correction

In the February 1983 issue of *Chain Store Age*, the above chart was incorrectly labeled showing an increase in the percentage of households with an installed Atari video game console. In fact, while the actual number of consoles installed will increase, percentage of market share will decline from 67% to 50% for Atari.

THE WARRANTY THAT SEPARATES BIG BEN FROM THE BOYS.

When Big Ben by Wrangler® says we make America's best work clothes, we put our money where our mouth is.

For a full year, if any garment we make is defective in workmanship or materials, we'll replace it. Or refund your customer's money. Plain and simple.

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HARD WORKIN' CLOTHES.™

Chain Store Age

SPECIAL REPORT

Managers cite hq insensitivity, poor training programs

The Woolco store manager was explaining to his unemployed son-in-law the benefits and security in working for a company the size of Woolworth when the chain's closing was announced on the TV news.

"It didn't do much for the conversation," he recalls.

This incident pretty well sums up one of the two primary beefs (training being the other) GM store managers have with headquarters—beefs culled from a *CSA* survey of managers representing the Big 3 catalog chains, department, discount, specialty and variety stores.

These merchants criticized corporate's concern for them as individuals, a problem compounded by the distances often separating the stores from headquarters, the long hours managers put in and the "make-the-numbers-or-you're-out" attitude managers *imagine* headquarters has towards them. And it's certainly not a perceived insensitivity limited to any one chain or industry tier. Woolworth did notify the field staff first, but the manager was out of the store and missed the mail.

Managers admit their weakest spots are communication skills and motivation/training of their staffs.

"I'm concerned about the 'quality of life' aspects of retailing vs. other business," commented a 35-year-old department store manager. "I don't feel we're keeping pace in this area. [Headquarters] just doesn't seem to see beyond the numbers."

By and large, however, store managers are very positive about their positions and chains. Asked to rate their companies on nine basic criteria, the managers gave especially high marks to the corporate staffs and their immediate superiors.

Interestingly, they were less generous in rating the merchandising staffs. Since buyers make the decisions which can make or break a manager's numbers, it's possible

that the sluggish sales environment of the past couple of years has soured the frontliners on the headquarters merchants.

Call for training: Store managers are highly educated. Some 84.7% of the department store managers, 70.6% of the specialists, 64.8% of the discounters, 66.6% of the variety store operators and 53.2% of the Big 3's store managers all have some college or college degrees.

But the managers argue that more "schooling" is necessary, especially since a majority of all retail chains do not prepare managers for the retail fray with formal training programs and even fewer companies offer paid self-development programs. And even when chains reimburse managers for additional education, few store men participate. For example, 38.3% of the department store managers say their companies will reimburse them for going back to school, but only 5.6% take advantage of the opportunity.

"We need [a paid education program] desperately for us younger guys," noted a 26-year-old variety store manager with some college. "I'm paying my own way and struggling with the money and my work schedule."

On-the-job training appears to be the norm for GM store managers. "We don't have a classroom-type training program," summed up a Big 3 store manager. "It's learning step-by-step, job-by-job up the ladder."

Variety stores make the best effort at preparing managers for the field with 87.9% of the managers from this tier reporting their company has a formal training plan. On the other hand, only 24.5% of the department store managers and

*Managers rate the chains on . . .**

	Dept. store	Specialty store	Discount store	Variety store	Sears, Ward Penney	Weighted average
Capability of corporate staff	3.2	3.6	3.4	3.5	3.5	3.44
Respect/confidence in superiors	3.2	3.2	3.2	3.4	3.4	3.28
Treatment by superiors	3.2	3.4	3.0	3.0	3.3	3.18
Recognizing performers	3.1	3.0	3.3	3.2	3.1	3.14
Encouragement to speak out	3.0	3.3	3.3	2.8	3.1	3.10
Capability of merchandising staff	3.0	2.7	3.0	3.3	3.2	3.04
Opportunities for promotions/salary increases	3.1	2.6	3.1	3.2	3.2	3.04
Chains's concern for employees as individuals	2.9	2.8	3.2	3.0	2.9	2.96
Training programs	2.3	2.0	2.8	3.3	3.2	2.72

**Rating based on a scale of 1 to 5 with 1 being poor and 5 being excellent*

Source: *CSA* research

Store managers: their likes and dislikes

		Dept. store	Specialty store	Discount store	Variety store	Sears, Ward Penney	Weighted average
Likes	Challenge	70%	59%	50%	73%	79%	70%
	Responsibility	57	59	68	67	69	64
	Independence	49	24	60	51	27	37
	Leadership	32	24	19	12	39	27
	Dealing with employees	23	24	24	12	31	23
	Salary	13	12	22	15	29	19
	Chain's reputation	21	12	22	9	15	17
	Dealing with customers	11	18	19	30	13	17
Dislikes	Work schedule	36	41	27	58	27	36
	Salary	26	53	38	45	15	31
	Security	22	35	36	27	27	28
	Chain's concern for employees	26	24	19	39	24	27
	Treatment by superiors	23	35	30	24	15	23
	Community relations	17	17	19	18	8	14
	Competition with other retailers	8	6	30	21	6	14
	Dealing with customers	19	6	8	9	8	11

Source: *CSA* research

Study Methodology

CSA randomly surveyed store managers representing the five primary tiers of general merchandise retailing. Each tier was segmented to reflect the nine regions of the nation divided on a percentage basis by distribution of the population.

A total of 480 questionnaires were mailed, of which 188, or 39.2%, were returned.

Overall, surveys went to 100 store managers of the Sears, Penney, Ward group; 100 to department store managers; 100 to managers from 20 discount chains, of which eight were upscale discounters; 100 to managers from 10 variety store chains, and 80 to managers from 35 specialty chains, of which 10 were hard lines oriented.

Completed surveys identified managers by store type only. No store names were used. ☐

Credit teamwork for success

At 5:30 a.m. every weekday morning Reuel Nygaard jogs the streets in Plymouth, Minn., alone. Three hours later, the 46-year-old lone runner turns retailing executive and functions more as a quarterback in his job as store manager of Dayton's 383,000-sq.-ft. store.

"The two things I enjoy most about my job are the people aspect and the number of new challenges—no two days are ever the same," says Nygaard. The latter was quite a pace change for the executive who had worked in very structured positions within the optical industry before entering retailing 17 years ago.

Now heading up an operation which employs 500 full- and part-time people, Nygaard says his job as store manager calls for "people skills, merchandising and some operations or numbers." However, the most important ingredient for success is teamwork.

At the beginning of each new year, Nygaard outlines the game plan to his assistant managers, managers and coordinators. It explains the "rules of the game" Nygaard expects his staff to follow.

However, the plan is not absolute. Nygaard holds employee feedback in high regard. "You need input from your managers," he says. "You have to be flexible to admit it when something's not working and flexible enough to change it."

Nygaard: "What I enjoy most are the people and the new challenges."

From the day Nygaard entered the St. Paul store one year ago March, he wielded tremendous power over all his branch decisions. The store had just completed 20% of its remodeling when Nygaard sped up the rest which included opening children's in time for Christmas and domestics for the January white sale. Health and beauty aids was supposed to be eliminated during the remodel but because customers protested, so did Nygaard. Now a scaled-down department remains in the finished store.

One of the highlights of his career was opening Dayton's LaCrosse, Wis., store, recalls Nygaard. He says, "It was the first time I was in a position to evaluate how effective I was at my job. "There's nobody to blame but yourself [for mistakes]; you set up the store, hire the people," he notes. "It's a direct reflection on you."

Nygaard spent two years as store manager of the LaCrosse branch before going to St. Paul, a larger volume store. Prior, he was the store manager of Dayton's Brookdale unit for 18 months and before that he held several other merchandising positions with Dayton's.

All but two of his 17 years were spent with Dayton's, says Nygaard. He briefly left in 1973 to join the May Co. Cleveland as a store manager but was called back to Dayton's in 1975 with the promise of a store managers' position. ☐

13.3% of the specialists say they went through a formal training program. And even when programs are available, their benefits are suspect.

"We have a program," noted a specialist, "but it's very poor."

Training policies run headlong into the needs defined by the store managers. And what's apparent is that the managers' admitted weaknesses—communication and psychology—probably won't be cured by trial and error.

Survey participants were asked to list their four weaknesses, and responses ranged all over the lot. But there were similarities. Store managers from all five tiers cited failings in communicating in general, and motivating and training their own staffers among their most glaring soft spots.

This reaction meshes neatly with the managers ranking communication, in the form of customer relations/service and employee productivity and morale, among their five most important responsibilities.

What's also obvious is that the managers feel they're not the only link having trouble getting the message across. Communication, they point out, is a two-way street.

"We need to improve the capability of management in dealing with us," a variety store manager noted. "I wonder if we speak the same language."

Numbers game: Store managers are realistic enough to realize that retailing is a numbers game. Except for the specialists, managers from all tiers cited returning a net profit as their top responsibility. The specialists mentioned volume gains first, profits second. Many managers also placed expense controls among their top five jobs and, interesting in light of the increasingly sophisticated computerization of reordering, only variety store merchants mentioned maintaining a good in-stock position in the top five.

Warning signals, however, are seen in the omissions. Not one store manager fingered shrink and shoplifting control as a prime duty. And a figure that bodes poorly for the department stores especially, 67% of the Big 3 store managers ranked customer service as a top task vs. 47% for the supposedly service-intensive department stores and a worse, 35% showing for the specialists. In fact, 35% of the self-service discounters and 36% of the variety store operators mentioned customer service.

By and large, however, store managers are very positive about their positions and chains.

Department and specialty store managers may take customer service for granted since managers from both tiers did list this job among their top responsibilities. But it's also possible that sales help cutbacks, rampant at the keystone stores in recent years, are delivering a negative message to the managers or, at the very least, headquarters is not stressing this competitive edge strongly enough.

While the bottom line is vital, store managing remains a trade for merchants. Over 40% of the specialty store managers, discounters and Big 3 unit operators report their retailing experience is on the merchandising side of the business. Over half the variety store managers and two-thirds of the department store respondents boast merchandising as opposed to operations training. In fact, only 10.8% of the total report only operations back-

Time management is Rx for success

Ted Whitaker: Happy he chose retailing over veterinary medicine.

The stockroom of Newberry's Ontario, Calif., store must have been something special to make Ted Whitaker forget Chaffey College and his veterinary medicine studies for retailing. Thirty-two years and two chains later, Whitaker finds himself as store manager of Sprouse-Reitz' 21,000-sq.-ft., new look variety store in Sun City, Calif., with few regrets.

"I probably could have made more money as a vet," he quips, "but I liked retailing so much I just never went back [to school]. I wake up excited about work everyday because there's always something new. If I wake up someday and don't anticipate coming to work, that'll be the time to retire."

Besides a one-year stint as a Newberry's trainee, Whitaker has spent his entire retailing career as a store manager—two years with the Rasco division of Gamble Skogmo and the last 28 with Sprouse-Reitz. And the 51-year-old, described by one observer as "jolly, friendly, sort of a Santa Claus guy," credits his longevity and success at running a store to time management.

"I remember an old store manager telling me years ago that if you have to come back to the store at night, you're not scheduling your time properly," he recalls.

Customer relations is one of the reasons Whitaker still enjoys his work and Sun City's predominately senior citizens, who Whitaker terms the "nicest people in the world," are a bonus. But he quickly adds that merchandising his store remains the most exciting aspect of his job.

"I like to see a counter get all torn up and remerchandised with new goods and see those goods move out and get rung up at the register," he explains.

As a veteran, Whitaker easily puts his finger on the one skill vital for newcomers to learn—motivating store employees. Whitaker has a staff of 11, three of whom are part-time senior citizens.

"I believe that you have to be able to make everyone in your organization, from the stockclerks and trainees on up, feel comfortable where they're working," he says. "Ordering and merchandising are very important, but if a store manager can instill a sense of pride in his employees in where they work, then half the battle's won. If your people have pride, they'll merchandise the store right, display it right, keep it looking good and be courteous to the customers." ☐

Challenge drives Penney manager

Ron Coleman's enthusiasm about running his own retail business is boundless. The fact that the sign outside his store in Stamford, Conn., says J. C. Penney doesn't bother him at all.

"It's like I'm using Penney's money to manage my own business," says the 43-year-old Coleman. "Penney provides plenty of guidance, but the bottom line is that this is my store and I'm responsible for it. I make the decisions and I live or die by those decisions."

Coleman, who joined Penney soon after graduating from Virginia Tech in 1961 with a degree in business administration ("I switched from civil engineering half-way through because I wanted something where I would be dealing with people," Coleman says.) has moved rapidly along his career path by facing the challenges head on. "Penney breeds on challenge," he notes, "and every job I've held has challenged me to be creative, to develop my own style of management and to motivate the people working for me."

The success of Coleman's dynamic leadership style is readily evident in the people working for him at Stamford. There is an almost palpable excitement running throughout the store. "My attitude is to develop the people in the store," says Coleman, who spends half his working day on the sales floor and support areas, "and I think I have done that."

Coleman: "I feel I'm using Penney's money to manage my business."

Although this is his second full-line store as manager, Coleman rates the Stamford store as his toughest challenge to date. "When we finally opened last year [after parking lot construction delays kept the fully stocked and manned store closed for weeks] most people had heard of Penney," he notes. "But to them it was a place to buy underwear and work clothes."

This image is changing and, according to Coleman, the store now ranks "third or fourth in the market behind Macy's, Bloomingdale's and, maybe, Saks." The speed with which Penney has caught on is good news to Coleman who receives approximately 20% of annual income based on store performance.

Despite his intense involvement with the store, Coleman still finds time to maintain his family life. "My wife, Judy, and my three kids are No. 1," he says, "and working for Penney has not hindered that relationship at all. Even though we've never lived in one place longer than 30 months, we have thrived as a family. Maybe, because we aren't together all the time, our time together is better."

After nearly a quarter of a century with Penney, Coleman sees his present position as a clear achievement. "I have reached a fulfillment in life, although I'm confident that with 17 years to go with the company, there are greater challenges ahead." ☐

grounds with 37.0% citing both operations and merchandising experience.

Pros and cons: Like any job, store managing has its pros and cons. With the nation's median income in 1980 at $17,710, all but the specialty store managers earn over that figure. Over four of every five specialty store managers gross $20,000 or less per year with 13.3% earning $26,000 to $30,000. By contrast, it pays to work for the Big 3. All the Sears, Ward and Penney managers earn over $31,000 annually with 62.5% making $31,000 to $3[illegible],000.

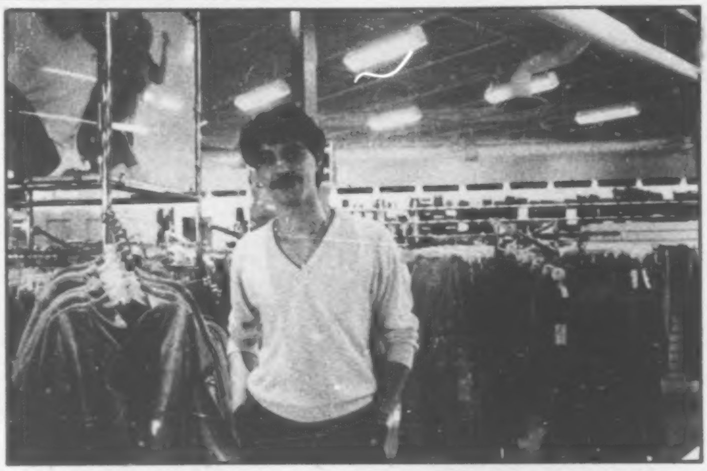
Longevity is certainly a factor. More than 1 in 5 of all Big 3 store managers are between the ages of 51 and 55. They are also the most experienced retailers with 22.9% reporting between 16 and 20 years in the business and 20.8% claiming 31 to 35 years under their belts. But as one department store manager told *CSA* recently, "[The Big 3 managers] have a lot more merchandising and buying responsibilities than we do, so they deserve the higher pay scales."

Youth is a drawback for the specialists—with over a third between 21 and 25—and the variety store managers, alike. Nearly a fifth of all variety stores are managed by 21-

Leone fills gap with The Gap

On his way to earning his college degree in history and secondary education, Robert Leone found himself facing a gap in his career plans. Intrigued by the possibilities in retailing, he followed some familiar advice to "fall into The Gap."

After working his way through St. Peter's College in Jersey City, N.J., as a salesman with The Gap, Leone took the plunge and joined the chain's training program. "I was working at The Gap during college and really enjoying it," he says. "It was a good environment for me, working with people who were my contemporaries and with merchandise that really appealed to my tastes. Plus the company had a terrific training program for managers, and I felt I could develop a career with The Gap."



Leone's style is to keep close tabs on his customers and merchandise.

In five years he has done just that, and he still feels enjoyment and challenge in his work. As manager of The Supergap in Paramus, N.J., Leone keeps close tabs on his customers and merchandise—responsibilities that can pay off in trend spotting.

"When I am continually approached by customers for specific merchandise," he comments, "I pass along the information to the buyers. I feel that I have close ties with the shoppers, and maybe we can anticipate a developing trend. I like the fact that people in this company listen."

Leone listens, too, and in a way still feels like the teacher he originally set out to be. "The customers want service and an answer to questions about fit, fashion, wearability, shrinkage. I have to make certain I know the answers so I can give them the most accurate information."

About 80% of the salespeople in Leone's store are college students. "They're in the same boat I was in five years ago," Leone notes, adding, "The decision I made to join The Gap was a beneficial one for me. This is a growing company with high management potential because it's geared to grow from within . . . and I hope to grow with it." ☐

to 25-year-olds with another quarter operated by managers between 26 and 30. And 78.7% of the variety store managers earn between $20,000 and $30,000 a year.

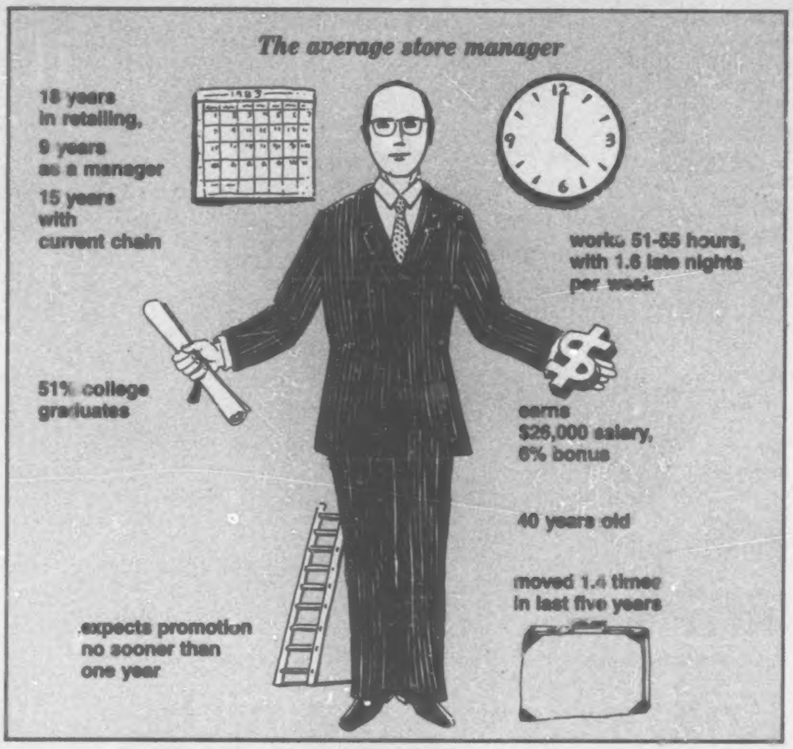
For the discounters, nearly 30% of whom are between 31 and 35, 61.9% make between $20,000 and $30,000. Department stores, also with store managers predominantly in their early 30's, offer both "keystone" and "promotional" salaries. Identical numbers of these managers, 28.0%, earn between $20,000 and $25,000 and $36,000 to $40,000.

Lower incomes appear to be supplemented by bonus programs most often keyed to profits. All of the variety store operators and 89.2% of the discount store managers report their chains have incentive opportunities which can tally up to 10% of their annual base pay. Ironically,

Managers' most important responsibilities

	Dept. store	Specialty store	Discount store	Variety store	Sears, Ward, Penney	Weighted average
Returning a net profit	85%	53%	81%	94%	79%	81%
Sales volume increases	57	94	41	39	46	51
Customer service	47	35	35	36	67	47
Employee morale	53	41	37	24	63	46
Customer relations	38	35	49	45	38	41
Employee productivity	26	41	54	33	31	36
Planning	36	29	35	27	35	34
Expense control	28	24	38	46	17	30
Insuring in-stock position	30	12	30	39	23	29
Cleanliness of store	15	6	19	6	27	17
Insuring in-stock position on ad items	8	12	3	9	8	11
Protection of property and equipment	0	0	3	9	8	4
Competitive pricing	4	3	3	6	2	3

Source: *CSA* research



The average store manager

18 years in retailing,
9 years as a manager
15 years with current chain
works 51-55 hours, with 1.6 late nights per week
51% college graduates
earns $26,000 salary, 6% bonus
40 years old
moved 1.4 times in last five years
expects promotion no sooner than one year
1983
12
3
6
9

however, just under two-thirds of the specialty store managers also say their companies have bonus deals, but these incentives add up to only about 2% of their salaries.

The fairly well-paid department store merchants have fewer opportunities to supplement their incomes. Only 48.1% say bonuses are available, representing a mere 3% of base pay. Again, Big 3 managers make out the best. Some 89.6% report bonus programs are in place which can reach 10% of their salaries.

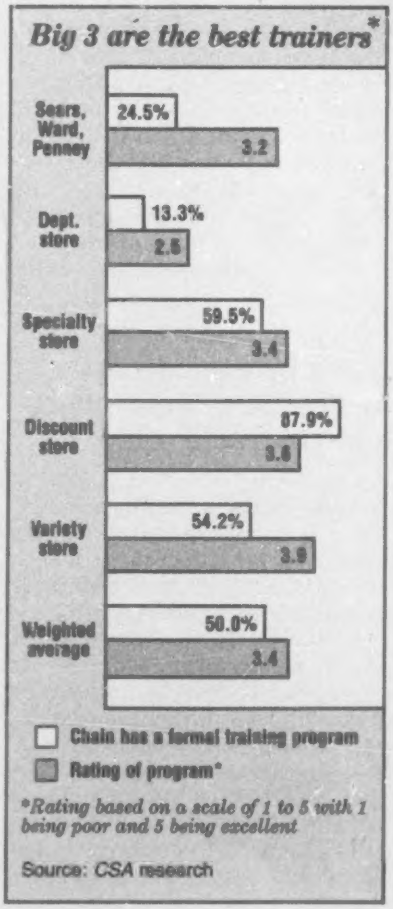
Interestingly, not one store manager cited shrink and shoplifting control as a prime responsibility.

It comes as no surprise that managers work for their money. Department, discount and variety store operators average between 51 and 55 hours per week with the specialists and Sears, Ward and Penney managers averaging between 46 and 50 hours. All managers average 1.6 late nights per week.

Relatively well paid or not, store managers find the long hours and salaries hard to justify. *CSA* asked the survey participants to rank their top four likes and dislikes about their jobs, and work schedules and dollars rated highly on the negative side. As noted, being treated as individuals and security were also sore spots. Most interestingly, perhaps, the retailers who light most price promotional fires, the discounters, reported a distinct distaste for the competition.

The plus side of store managing paints a picture of merchants who, all things considered, enjoy being on the firing line. All store managers rated the challenge and independence among the top two positives, backed by responsibility, leadership, dealing with employees and salaries.

Considering their relative youth, it's not surprising that all survey participants see a better than 50/50 chance of moving up the corporate ladder. What's interesting is that the Big 3 and variety store managers, who've been in the stores longest, are the most optimistic.



*Big 3 are the best trainers**

**Rating based on a scale of 1 to 5 with 1 being poor and 5 being excellent*

Source: *CSA* research

Managers were asked to rate the odds of getting ahead on a scale of 1 to 5 with 5 being excellent and, overall, the store men pegged their chances at 3.48. But the Big 3 merchants, at 3.8, and variety store managers, at 3.7, rated themselves the best prospects.

The department and discount store managers rated themselves just below average, at 3.4 each, and the specialists, perhaps due to their age and career commitment to retailing, were the most pessimistic at 3.1.

Oddly enough, the specialists did perceive a faster track up. Some 44.1% expect to be promoted within six months. For the other tiers of the industry, 6 out of 10 expect to wait more than one year with nearly 75% of the Big 3 managers anticipating a promotion is more than a year away.

And a successful track record doesn't always pave the way to a district, regional or headquarters desk job.

"I don't expect to be promoted," said one discounter earning more than $41,000 a year. "I'm in one of the top volume and profit stores in the chain." ☐

LICENSING

Riding the licensed product boom

If Captain Midnight and his decoder ring could only see what his early licensed product fury has wrought—a world where anything cute, cuddly, colorful or remotely famous can be instantly transformed into a best-selling lunch kit or breakfast cereal.

It's also a world where almost one out of every eight general merchandise dollars is spent by consumers on licensed products. As the London-based *Economist* aptly captioned a photograph of a pensive Luke Skywalker of "Star Wars," "Listen—the deafening sound of cash registers."

In 1982 Americans spent an estimated $20.6 billion on licensed products ranging from designer jeans to plush replicas of Saturday morning cartoon characters. Another $26.8 billion may be spent this year and by the end of the decade licensed products and services could tally close to $75 billion, according to Arnold Bolka, publisher of the Phoenix, Ariz.-based *Licensing Letter.*

By the end of the decade, licensed products and services could tally close to $75 billion.

A seven-year *Licensing Letter* analysis of the Big 3's catalogs illustrates the industry's meteoric growth. From spring/summer '77 to spring/summer '83 licensed products appearing in the Sears, Penney and Ward catalogs increased by 174.1%. But the *property* explosion was even greater—an increase of 196.6% from 118 properties in 1977 to 350 properties in the '83 catalogs.

E.T. was one of the big hits of 1982.

The licensed product boom introduces a new set of variables to the volatile merchandising matrix. Decision makers are faced with *concepts*—not only product. It's not merely a stuffed bear anymore but a teddy that appeals to a specific age group, that identifies with certain values and has semiannual television specials. Most chains are not yet organized to properly merchandise licensed products.

"Retailers could be doing a much better job but it's a communications problem," explained Murray Altchuler, president of the Licensing Industry Association (LIA). Buyers, he added, are busy enough tending their own classifications to be concerned with inter-departmental merchandising.

Desirable customers: Licensing, however, is a golden opportunity for retailers who can capture a market whose customer is younger, richer, better educated and willing to pay more for what he or she wants than the average consumer.

Leo Shapiro & Associates, a Chicago-based research firm, completed a *CSA*-commissioned study which revealed the licensed product shopping habits of consumers.

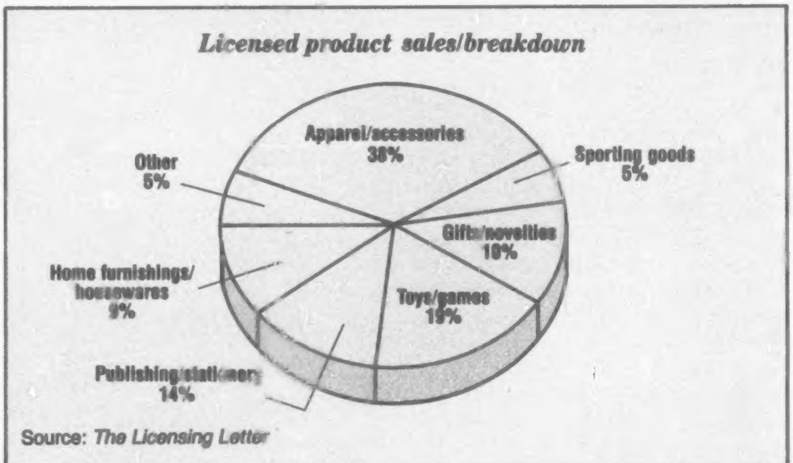
The *CSA*/Shapiro study confirmed the licensed product shopper is a more desirable customer. This consumer is more affluent (81% make more than $15,000 annually compared with a 74% norm), is younger (67% under 40-years-old compared with a 46% norm) and better educated (32% are college graduates—the average, 24%).

Those who participated in the survey told researchers that they purchased licensed products equally either as a gift with confidence in its acceptance, or were asked to buy a specific item by, say, a child.

Consumers also find it easier to buy—and expect to pay more for—licensed products, *CSA* editor Murray Forseter told a *CSA*/LIA licensing seminar earlier this year. "We found that for items tracked [in the survey], by slightly better than a 3-to-2 margin, shoppers found it easier to buy licensed goods," Forseter explained, adding that the more frequent reasons cited were experience and product reliability followed by quality and trustworthiness.

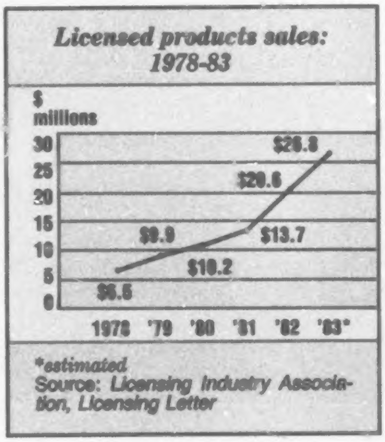
Premium price: The licensed product shopper, the *CSA*/Shapiro research showed, expects to, and probably will, pay more for licensed goods. "Two out of three consumers expect to pay a premium on the average of 25% to 30% for licensed products," Forseter said. Those asked said licensed toys, on average, were $4.35 more than non-licensed toys. Soft goods (apparel and domestics), they said, were $3.25 higher and sporting goods, $7.56 more than licensed sporting equipment. The average price consumers said they paid for each product was $12.05 for a licensed toy, $11.94 for a soft goods item and $24.87 for a sporting goods product.

Many believe that snoopy was the foundation of licensed departments.



Licensed product sales/breakdown

Source: *The Licensing Letter*



Licensed products sales: 1978-83

*estimated

Source: *Licensing Industry Association, Licensing Letter*

But while the higher price-points may provide retailers more volume, retailers could lose customers by charging too much for low price-point goods, Forseter warned the Chicago audience. "Names increased the perceived cost of a product," Forseter said. "Customers feel they are going to pay more for your product if it carries a licensed name. And, because purchase intention diminishes as price perception increases, the seller of the product must realistically evaluate how much he can charge to maximize sales and profits."

Gross margins are tricky: Licensed toys, for example, command about a 30% margin compared with 37% for the toy classification. The margin may also increase or decrease depending upon the license royalty fee (6% to 7% on average) and price promotions. Some say E. T. sales slacked off because of excessive licensing fees. Retailers, though, count on licensed product

Why licensed products are easier to buy

Item	Experience/ reliable	Quality	Trustworthy	Good taste	License name
Shirt	61%	45%	40%	28%	5%
Athletic shoes	51	45	38	19	2
Children's vitamins	60	40	42	24	1
Toothpaste	50	49	26	35	5
Jeans	57	40	27	30	4

Source: *CSA*/Leo Shapiro & Associates

volume to provide profit, not necessarily margins. Inventory turns for licensed toys are about five times per year compared with about 3.3 turns for the classification.

But if the *CSA*/Shapiro research is correct, retailers may be able to expand their gross margins using licensed products. A demand schedule was devised to determine how much a merchant—Sears in this case—could expect to charge for a set of generic cookware compared with an identical cookware ensemble with a mock, celebrity chef brand name. "We computed schedules for the cookware," Forseter explained. "We found that the maximum gross margin dollars could be reaped at $40 if the cookware sold without the licensed name at Sears. But if the cookware carried the license, Sears could produce maximum gross margin dollars at a $60 price-point and that takes into account a $2 increase in costs to defray the licensing charge."

Gross margins, however, are only one aspect of licensing for retailers who are often swept up in the hoopla of new product introductions.

Individual buyers, in most chains, continue to purchase licensed products regardless of their colleagues' licensing plans. Some GMer's are reorganizing. Topsiders at Mervyn's, a Dayton Hudson soft lines subsidiary, meet weekly to discuss new properties and form evaluation committees before presenting the products to individual divisions.

St. Ann, Missouri-based Venture has also moved closer to a coordinated licensed product evaluation system. Maxine Clark, Venture's vp/marketing, told the *CSA*/LIA audience that Venture buyers are not required to seek approval for licensed product purchases "but in order for them to advertise it and use valuable store space for it, they have to at least talk about it with somebody.

Balancing inventory: Retailers are not only faced with *what to buy*, but how much to invest in inventory and which products the new licensed property will replace.

A toy buyer for a major northeast discounter said he sets his inventory quota based on manufacturer advertising and media exposure (a movie or television special).

The losers in the licensed product explosion are basic items, retailers say. "There's only so much shelf space," explained Dennis Spector, Cole National Corporation marketing director.

Licensed product display is also in transition. Some insiders say licensed goods should be integrated within traditional product categories while others favor boutiquing. Toy chains, such as Child World, employ both methods.

"We know the boutique does much better," explained Murray Altchuler. "It's a program. For the retailers to maximize the benefits for a licensed property, they should present it as a property. The stores

Baseball tops Big 3 license catalogs

Major League Baseball (MLBB), Strawberry Shortcake, Smurf and N.F.L. teams are the top licensed products represented in all Big 3 retailer spring/summer '83 catalogs, according to the Phoenix, Ariz.-based Licensing Letter.

Only 22 properties were represented in all three of the Sears, Roebuck, J. C. Penney and Montgomery Ward catalogs.

More than 130 MLBB items appeared in the three catalogs. Strawberry Shortcake was next with 70 products followed by Smurf and N.F.L.-related items with 69 each.

In 1983 the spring/summer catalogs featured 1,554 products representing 350 properties. In comparison, only 567 licensed products, representing 118 properties appeared in the 1977 spring/summer, Big 3 catalogs (see chart).

The leading 1983 spring/summer properties, the Licensing Letter survey showed, were Dianne Von Furstenberg at Sears and Major League Baseball in both the Ward and Penney catalogs. In 1977, the most popular properties were Winnie-the-Pooh at Sears, Sesame Street at Penney and Mickey Mouse in the Ward catalog.

Both hard lines and soft lines properties were tracked by the Licensing Letter survey. ☐

Big 3 catalog licensed products

Catalog season	Licensed products in Big 3 catalogs	Licensed properties represented in Big 3 catalogs
Spring/Summer '83	1,554	350
Fall/Winter '82	2,036	251
Spring/Summer '82	1,548	378
Fall/Winter '81	1,729	222
Spring/Summer '81	1,117	170
Fall/Winter '80	1,288	150
Spring/Summer '80	855	148
Fall/Winter '79	1,071	120
Spring/Summer '79	664	97
Fall/Winter '78	960	108
Spring/Summer '78	701	118
Fall/Winter '77	695	106
Spring/Summer '77	567	118

Source: *Licensing Letter*

Smurf, 'Shortcake' and E.T.: consumer favorites

Strawberry Shortcake sales should reach $1 million in 1983.

Forecasting consumer buying patterns is, at best, a dubious science. But the General Mills Toy Group Marketing and Design Service, which launched Strawberry Shortcake, has an enviable track record.

Group president Bernard Loomis at the *CSA*/LIA licensing seminar unveiled an October '82 survey that showed which licensed characters were most popular among mothers.

For the toys, games and crafts classification, Smurf scored the highest "positive purchase intent" among the survey group with 31%, Loomis said. Closely following was Strawberry Shortcake at 30%, E.T. with 26%, Dukes of Hazzard at 24%, Pac-Man at 21% and Mickey Mouse with 9%.

E.T. led the apparel category with 43% followed by Strawberry Shortcake and Smurf with 43% and 41% respectively.

Meanwhile a *CSA*/Leo Shapiro & Associates, survey of Chicago showed E.T. was the most purchased licensed character during the Christmas '82 shopping season.

Strawberry Shortcake was second followed by Smurf, Dukes of Hazzard, Mickey Mouse, Sesame Street and Snoopy. ☐

The Strawberry Shortcake success story

	Retail sales (000 omitted)	Ad budget (000 omitted)	Ad to sales ratio
1980	$ 100,000	$ 2,300	2.3%
1981	500,000	5,500	1.1
1982	750,000	12,000	1.[illegible]
1983[1]	1,000,000	25,000	2.5

[1] *estimated*

Source: General Mills

that have done the best job have created a turf that changes with the season but remains thematic [such as Strawberry Shortcake or pro sports shops]."

Certainly, manufacturers preach the boutiquing approach. Some, such as Carol Beltran, the Bobbs-Merril Co. (Raggedy Ann) licensing director, advocate multilicensed product boutiques within departments. "It's much easier for me to know where all the childrens' [licensed] toys are so I don't have to run up and down the aisle looking for what I want," she said.

Impulse buys: Whatever the method, Altchuler noted, it's crucial to exploit the impulse purchase nature of licensed products. "It's an impulse item and point of sale is very important," he explained. "A mother goes into a store to buy her kid a light jacket and there's a New York Yankees jacket side-by-side with a plain jacket. There's only a dollar price difference and she's getting it for a 10, 11-year-old boy. Which one do you think he'd want?"

This year, kids may want more of Strawberry Shortcake, Smurf, Star Wars in addition to Care Bears and Garfield, retailers are predicting. This may be Garfield's year, in fact. "Garfield is going to be real good," said one buyer. "Major manufacturers are now merchandising Garfield products and there's going to be a TV special later this year."

One sleeper may be "Cathy," a comic strip character who charters not-so-glamorous every day female anxieties. Neiman-Marcus last year featured Cathy boutiques and backed the effort with a promotional tour by Cathy creator, Cathy Guisewite.

As for the future, insiders forecast a continued licensed product boom with a possible reduction of property introductions. "There's no way the number of properties will continue to proliferate the way they are now," said Altchuler.

Carol Beltran agreed. "Retailers will be backing away from one-shots. Within 10 years, in all probability, you will be back to staple categories that everybody will recognize.

But today's staples may have been yesterday's "one-shots." As Arnold Bolka pointed out, "The traditional properties are the heart [of the industry] but the new products are its lifeblood." ☐

License pirates plague industry

E.T. was the licensed product sleeper of 1982. It was also a favorite of counterfeiters who sold extraterrestrial imposters to everyone from Manhattan street vendors to general merchandise chains.

The pirating of licensed products is said to cost licensees "billions a year," according to James Bikoff, president of The International Anticounterfeiting Coalition. But counterfeits are also the retailer's problem, both legally and financially.

"There's a maxim in the law that ignorance of the law does not prove innocence," explains Bruce Hosmer, Gulf & Western's associate patent counselor. "Retailers can be guilty of infringement of someone's copyright by helping to get the infringed goods into commerce."

However, manufacturers and attorneys interviewed said most major general merchandise chains will voluntarily remove counterfeit and knockoff merchandise. "I found all major chains and specialty stores overwhelmingly cooperative in re-

Cast of Characters

Bodart and Hartman have created a store around "lovable," nonaction licensed characters.

Retailers score with character boutiques

Milwaukee retailers Roger Bodart and Chris Hartman have staked their entrepreneurial futures on the licensed character boom. Almost two years ago the ex-Gimbel's merchants launched the first of two Cast of Characters shops and have since watched the likes of Garfield and Ziggy generate sales in the $275 to $300-per-square-foot range.

The all-licensed character concept was spawned from Bodart and Hartman's 1978 stationery shop venture, Pen & Pad. Recalls Bodart, "We brought in Ziggy and Snoopy and did very well with them. Something was happening, something that was different. People were becoming character conscious and we decided to go with it in a full shop."

The first Cast of Characters shop opened in mid-1981 followed by a second outlet last August in Milwaukee's Grand Avenue Mall. Both stores, which total a combined 2,400 sq. ft., are stocked with the most popular "lovable," nonaction licensed characters including Strawberry Shortcake, Smurf, Garfield and Snoopy.

"The concept is based on a full presentation of the best products available. Visibility and viability are the keys," says Hartman, adding that many of the stores' licensed characters are featured in comic strips, movies or Saturday morning cartoon serials.

Bodart and Hartman, however, often sidestep promotional hoopla in order to avoid dust-gathering inventory. Annie is a good example since great things were predicted for the licensed character that made the jump from comic strip to Broadway, but stumbled on the Silver Screen in Hollywood.

Annie "was a klinker," says Bodart who decided not to invest heavily in what promoters were touting as the next character license sensation. "We looked at it with a gut feeling and a dollar and cents feeling," he recalls. "Annie just wasn't saying anything. She was saying 'tomorrow,' while a character like "Ziggy" was saying 'today.' We were right."

As for the stores, the two outlets are designed to attract walk-in mall traffic—especially children—with high impact cube and shelf displays and colorful fantasy motifs. "They

Garfield tops at Cast of Characters

Product	% 1982 sales[1]	% Club poll[2]
E.T.	—	10.1
Garfield	22.9	31.5
Hello Kitty	14.4	8.1
Smurf	22.3	14.4
Snoopy	7.0	5.6
Strawberry Shortcake	5.8	4.3
Ziggy	11.6	9.4
Misc.	16.0[3]	16.6

[1] *Feb.-Dec. '82*
[2] *favorite character (responses from 631 members of Character Club)*
[3] *Includes E.T.*
Source: CSA research

[kids] come in here and get all excited," says Hartman. "They can't believe it. There's all this neat stuff and it's all for them."

Price points are often parental. The Cast of Characters prices range from 10¢ for a sticker (they sold 4,000 in a single day during a teachers' convention) to $275 for a giant character plush toy. The average transaction, they say, is between $2 and $3.

Nearly 40% of the stores' sales are logged during the November and December Christmas shopping season, but Bodart and Hartman feel they can beef up off-season sales with customer clubs which offer members discounts and the Cast of Character newsletter. The stores' birthday club alone boasts 4,000 members (including two 82-year-old women) and was recently augmented by a new promotion dubbed the Character Club. The new club, with more than 600 members, offers a once-a-year 20% discount on merchandise, birthday presents and the newsletter. For Cast of Characters, the club delivers a captive consumer polling base to track popular characters (*see chart*).

Cast of Characters' future, Bodart says, depends on what he feels will be a continued boom in licensed character retail sales. The boutiquing concept, in fact, is one encouraged by many licensing industry insiders. Bodart and Hartman have already spun-off a 450-sq.-ft. plush toy boutique called Love 'Ems and more units are in store for Cast of Characters. But Bodart doesn't plan to stop there. He's so bullish on licensed characters that his long-term plans might include franchising. ☐

Readin', writin' & Smurf at PS 61

For the second graders at New York City's Public School 61, life, toys and clothing just wouldn't be the same without their favorite licensed characters.

New York kids prefer Smurf, maybe because "they're small and cute."

PS 61's hit list

Favorites (% mentioning)	%
Smurf	41.3
Strawberry Shortcake	10.4
Superman	10.4
E.T.	10.4
Tom & Jerry	10.4
Star Wars	6.8
Garfield	6.8
Wonder Woman	3.5

Source: *CSA research*

During an informal two-hour discussion, the children in Wanda Woytowich's second grade class talked about licensed characters, why they liked an individual character and if a product was "better" if it bore a likeness of one of their Saturday morning favorites.

The Smurf family was the overwhelming favorite of these 7 and 8 year olds (mentioned by 41.3%), followed by Superman, E.T., Strawberry Shortcake and the seemingly immortal Tom & Jerry (all at 10.4%). Other mentions as "favorite characters" were the Star Wars group, Wonder Woman and Garfield. The second graders also mentioned the pop group Menudo and the Dukes of Hazzard as other top character choices.

Television and movies, not surprisingly, seemed to have an impact on these children at PS 61, which is located in the racially mixed Lower East Side of Manhattan. Smurf was a favorite, one 7-year-old girl noted, "because they're small, they talk cute and I like the way they laugh."

Both the television specials and the product line were mentioned in conjunction with Strawberry Shortcake. "I like her songs," said another 7-year-old girl, "and her smell and her cereal."

At times, the second graders didn't seem quite sure how they acquired their licensed products toys, but it seemed a combination of asking parents and receiving the products as gifts. "Sometimes I ask my parents to buy me something and they say no," said one girl. "But sometimes they buy it for me later and surprise me."

But whatever the source, the children felt toys were just better products when bearing a licensed character. "*Of course*," said an 8-year-old boy, incredulous that anyone would even ask such a question. Not only were the products better, they indicated, but licensed characters also seem to be a status symbol of sorts among friends—especially with clothing (see article in *APPAREL Merchandising*). The characters also make the toy look better, they said.

There were some dissenters, however. A 7-year-old girl said she was quickly tiring of the big licensed character guns. "I'm tired of Smurf and E.T. and I'm tired of their cartoons," she said. "Every day they run over and over and it's the same thing."

In fact, that may be the key to long-term success. A 7-year-old boy said he liked Star Wars toys because he has little time to tire of Darth Vadar and the gang. ☐

the main course athletic club

***Bloomingdale's 350-sq.-ft. department** moves merchandise priced from $3.95 to a hefty $1,150.*

Exercise gear has image shaping role

In the 70's, apparel was the "image engine" for department stores, says Walter Levy of Walter K. Levy & Associates. Reputations were made or broken by a store's soft lines stance.

Apparel continues to be important in the 80's, the consultant points out. But home divisions, such as housewares, soft home furnishings and consumer electronics, are rivaling soft lines as image setters. And while Levy didn't say so, signs are sporting goods, specifically exercise equipment, is shaping up as at least a "piston" keeping the new image engines pumping.

"In perhaps three or four years, home exercising will be an important part of daily home life," predicts the buyer for a New England department store. "Barbells will come up from the basement to a room or area set aside for family fitness. We plan to aggressively pursue the market."

This message hasn't been missed by the kingpins of the fashion world. On March 1, a New York soft lines powerhouse with a fashion image no less rock solid than its 59th Street flagship location unveiled an exercise equipment department with nary a stitch of trendy activewear in sight.

Bloomingdale's carved the 350-sq.-ft. section out of its 6th floor housewares complex—The Main Course. The mix presents a fairly complete assortment of exercise gear, some at highly competitive prices (hand grips are available as low as $3.95), others sporting tickets definitely geared to the Bloomies' shopper. AMF's Computrim, which delivers digital readouts on time, speed, distance, calories burned and pulse of the rider, sported a hefty $1,150 tag.

Bloomingdale's dept. sources boast of moving $2,500 worth of equipment on 'opening' day.

"The response in the two weeks we were unofficially open was fantastic," reports buyer Alan Sotnick. "Based on the sales results we've seen, plus some other reports we've heard, we're one of the biggest exercise equipment sellers in the city."

Other store sources boast of moving $2,500 worth of merchandise on the Main Course Athletic Club's opening day, with sales action at both the high- and low-ends.

National craze: It comes as no surprise that fitness is a national craze. The health cult has roughly 15% of the entire population out on the roads competing with cars for jogging space. But a 1981 A.C. Nielsen study on sports participation found jogging on the downswing. Just over 34 million Americans jog, the survey reported, slightly below the 35.7 million runners spotted in '78.

Nielsen included "physical conditioning" (defined as equipment-oriented exercise) for the first time in the '81 edition of its triennial study. The new activity ranked seventh, with nearly 35 million participants, barely nudging jogging back into eighth place.

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The study also indicated there are more die-hard home exercisers in the "closet" than might be imagined. Some 36% were classified as "light" participants, working out eight days or less per month, and another 33% as "medium," exercising 9-19 days a month. But a solid 31% were defined as "heavy" exercisers, taking off pounds or putting on bulk 20 or more times monthly.

Nielsen's numbers appear to contradict other studies. A 1980 U.S. Department of Health and Human Services report found that only "something over 35%" of all adults engaged in *some* form of "appropriate physical activity."

The meteoric growth of the exercise equipment market, however, could resolve this apparent conflict. Gold Circle's Robert Vanmeter recalls noticing the category trending upward six years ago, adding "it isn't ready to peak yet." The Worthington, Ohio-based discounter turned in a 22% volume jump on exercise gear last year and Vanmeter is "planning on a big increase" in '83.

Trading up, with exercise gear's target customer shopping more elaborate systems as technology advances, appears to be one match igniting this explosive growth. Bloomingdale's, which prides itself on being first, is certainly a latecomer to the exercise equipment market. And the store has taken its stand, not surprisingly, at the high-end.

A volume display of Heavyhands weights features $20 tickets for 1-lb. sets and 5-lb. dumbbells are priced at $13.95. A conditioning suit is available for $14.95.

Other tickets climb steeply. An inversion system was tagged at $450, a treadmill at $550 and a total gym system offered at $699.95. Vitamaster's Pro 1000, with the same digital readouts as AMF's Computrim, opens at $650.

Bloomies' shoppers also like to pamper themselves. So the store's mix includes such after-workout necessities as Vitamaster's steam sauna bath for $719.95, Teledyne's shower massager for $35 and the Wet Set Shower System for $45. Rounding out the mix are air cleaners, hand-held massagers and make-up mirrors.

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Some discounters, however, are edgy over the more esoteric lines appearing on the scene. Versatility of the product is the key, says Bradlees buyer Craig Wooster, adding that one reason for the swelling popularity of gym systems—such as the GymPac 1000 which Bradlees carries at $299—is that it replaces 10 different items. This year, antigravity inversion systems are causing a stir in the industry.

But, cautions Wooster, "Antigravity devices do not have mass appeal. They're sales intensive since a salesperson should be on hand to explain it. We stock inversion boots, but sales are minimal."

Repeat customers: Gold Circle's Vanmeter feels that another prime spur for the exercise equipment market is repeat customers. Many consumers, he explains, shop equipment that delivers the best results in the least amount of time and with as little physical effort as possible. They buy a new product, use it for a time and, when they haven't shed those 10 pounds, store it in the basement.

But that doesn't mean that customer is out of the exercise equipment market. It just means that a new item has to come along to pique the shopper's interest again.

Dayton's has also beefed up the space devoted to exercise gear in its Leisureworld section which features equipment, footwear, apparel and a ski shop. Ron Sigal feels the home fitness/exercise equipment market, from jump ropes to complete gyms, is a rapidly growing area that will continue to expand.

"We're looking for long-term growth in this area as Americans become more and more fitness and health oriented," Sigal says. "We want to look better and feel better."

Last year, Sigal reports, Dayton's top seller was an exercycle priced at $350. "Price seems to be no object when it comes to looking and feeling good," he notes. "The consumer is no longer adamant about an exercise bike for under $100."

For '83, Sigal expects rowing machines and slant boards to top his volume charts. Bloomingdale's Sotnick believes inversion systems will also do well this year.

As the market trends toward the high-end and advanced technology, keystone stores could find themselves well positioned to compete with discounters—if not on price, then on sales assistance.

Bloomingdale's has two P-O-S tape players demonstrating its exercise gear offerings, backed up by a salesperson who not only encouraged shoppers to try the items, but explained how they work and what muscles are exercised. As one visitor noted, "[The salesperson] was very good at pointing out why the step up [from the promotional exercycle] was better."

Home exercise edges in ahead of jogging

	1982 rank	Projected participants '82 (000 omitted)	1979 rank	Projected participants '79 (000 omitted)	% change '79-'82
Swimming	1	102,288	1	105,441	− 3
Bicycling	2	72,155	2	69,810	+ 3
Fishing	3	63,689	4	59,275	+ 7
Camping	4	61,582	3	60,300	+ 2
Boating	5	41,973	6	37,920	+11
Bowling	6	40,260	5	43,330	− 7
Physical conditioning	7	34,914	*	*	*
Jogging/running	8	34,274	7	35,727	− 4
Roller skating	9	30,156	12	25,350	+19
Pool/billiards	10	29,926	9	31,937	− 6

*Not tracked in 1979

Source: A. C. Nielsen Co.

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A top seller for Dayton's last year was an inversion system. But Ron Sigal concedes that volume evaporated after a local doctor criticized the concept on medical grounds. Limiting misuse and the resulting potential injuries is a prime reason Dayton's St. Paul store has two sales staffers trained by the suppliers on hand to demonstrate the gear.

New breed shopper: Retailers are driving hard to compete for the exercise equipment customer, not only for the volume rewards, but, especially for discounters, to potentially attract a new breed of shopper.

CSA's 1982 Consumer Buying Intentions Study last December found that 61.5% of all consumers who had bought or might buy exercise gear boasted household incomes over $20,000 with 40.2% earning over $30,000. The likeliest customers were between 20-24 and 40-44 years old.

Dayton's target customer, says Sigal, is 25 to 40, both male and female. Adds Bradlees dmm Richard Casey, "This customer is young, upscaled and with a good deal of disposable income."

That's a pretty fair description of the customer discounters have been courting for years with stepped up apparel assortments and upgraded housewares offerings.

There are more die-hard home exercisers in the 'closet' than might be imagined.

And if there's another trending up attribute credited to the he-man exercise equipment shopper, it's that he is a she. Retailers are crediting much of the category's volume gains to women.

Department stores, especially, are merchandising their exercise equipment assortments to attract females. With aesthetics important to women, it's no wonder Bloomingdale's opens its department with an exercycle promoted at $49.95 in bright white with red trimming. It's pleasing to the eye and well it should be since it may occupy floor space in a fashionable East Side apartment.

At Foley's, sporting goods shops are positioned adjacent to men's activewear and feature Nike, Head, Bill Rogers, Izod, Adidas and Boast (a local resource) apparel. And while Foley's isn't giving exercise equipment additional space, the store is cross merchandising active footwear and warm-ups in with hard lines to "use the space more effectively," a store source notes.

"We're going to try to appeal to the female shopper," this source adds, "getting her to come into the area, for example, to get activewear or shoes and then making the next step into the actual equipment. If possible, we'll use colors in merchandise that might appeal more to a female customer." ☐

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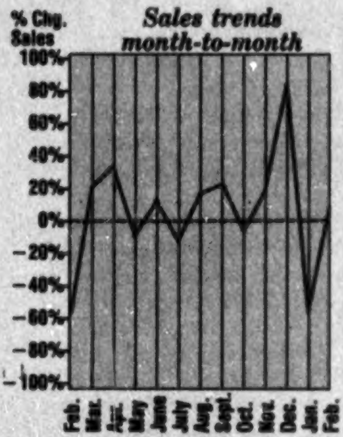
Chains await March before celebrating

Industry observers remained cautious for fear of once again "crying wolf" in predicting an end to the recession and bright future for sales. But with February volume climbing 8.7% over results for the same month last year, it was all they could do to restrain their optimism.

"January and February were very encouraging," said David Taylor, retail analyst for Prudential-Bache, noting that projecting a sustained sales recovery off the traditionally two weakest months of the year is ticklish. "The trend, however, is very strong, showing basic strength building," Taylor continued.



Composite of sales trends (increases or decreases) from month to month for the 20 retail companies tracked by *CSA*.

Some of that strength was flexed by K mart, which posted an 8.6% sales hike against a solid Feb. '82 jump of 12.0%. K mart's same-store volume was up 6.8% during the month this year. Chain topsiders credited the increase to the success of the overhauled apparel merchandising programs with menswear sales up 12.0% and fashion accessories jumping 11.0%.

The Big 3 catalog chains, however, continued to report anemic sales with only Sears showing any substance to its volume. J. C. Penney's sales declined 1.4% (from a 1.3% drop in Feb. '82) while Montgomery Ward reported only a 1.9% jump in volume.

Sears, meanwhile, scored a 4.3% increase on sales of $1.2 billion. Edward Brennan, pres. of the General Merchandise Group, reported that major appliance volume was up for the fifth straight month and sales were also strong in apparel and computer-related merchandise.

Department stores also saw a sales surge in February. Dayton Hudson's keystone price operations turned in a 10.0% increase, topped by Mercantile with a 14.6% overall gain and a 14.4% same-store hike. Carter Hawley Hale reported an 11.4% volume gain.

Among the discounters, Venture posted a 12.1% same-store sales increase, continuing an upward trend for the May Co. chain. Wal-Mart was up 15.0% on a store-for-store basis and Bradlees closed the month with comparable store volume up 7.0%.

Traditionally weak Feb. shows strength

		FEB. SALES*		STORES		1-MO. SALES*		
MAJOR CHAINS	% change	1983	1982	1983	1982	1983	1982	% change
SEARS[1]	+ 4.3	1,274,247	1,222,247	831	849	1,274,247	1,222,247	+ 4.3
PENNEY	− 1.4	567,000	575,000	2,055	2,086	567,000	575,000	− 1.4
WARD[1]	+ 1.9	320,647	314,811	386	389	320,647	314,811	+ 1.9
FEDERATED[5]	+ 13.4	517,900	456,900	410	N/A	517,900	456,900	+ 13.4
DAYTON HUDSON	+ 22.5	346,056	282,501	1,000	885	346,056	282,501	+ 22.5
MAY DEPT. STORES	+ 15.0	223,300	194,200	1,477	1,275	223,300	194,200	+ 15.0
CARTER HAWLEY HALE	+ 11.4	201,800	181,200	1,031	949	201,800	181,200	+ 11.4
ASSOCIATED DRY GOODS	+ 8.9	176,400	162,000	248	245	176,400	162,100	+ 8.9
MERCANTILE	+ 14.6	80,615	70,346	85	83	80,615	70,346	+ 14.6
K MART	+ 8.6	996,041	917,395	2,373	2,374	996,041	917,395	+ 8.6
WOOLWORTH	+ 1.8	304,810	299,292	N/A	N/A	304,810	299,292	+ 1.8
HOUSEHOLD MERCH.[2,3,5]	− 0.8	195,087	196,679	3,746	3,824	195,087	196,679	− 0.8
WAL-MART	+ 29.5	228,000	176,000	558	495	228,000	176,000	+ 29.5
T.G. & Y.	+ 1.5	129,600	127,673	891	923	129,600	127,673	+ 1.5
ZAYRE[4]	+ 25.2	117,084	93,523	628	566	117,084	93,523	+ 25.2
BRADLEES	+ 26.8	50,100	39,500	106	90	50,100	39,500	+ 26.8
MURPHY	− 5.0	48,942	51,492	422	434	48,942	51,492	− 5.0
ROSE'S	+ 13.5	47,988	42,278	237	233	47,988	42,278	+ 13.5
MELVILLE	+ 18.7	204,527	172,369	5,488	5,158	204,527	172,369	+ 18.7
TANDY	+ 23.7	181,801	146,949	N/A	N/A	181,801	146,949	+ 23.7
EDISON BROS.	+ 6.3	63,951	60,172	2,169	2,114	63,951	60,172	+ 6.3
TOTALS & AVERAGES	+ 8.7	6,146,296	5,654,954			6,146,296	5,654,954	+ 8.7

**000 omitted. N.C. = no change. N/A = not available.*

[1] Store number for full-line outlets only. [2] Includes 2,807 franchise stores (vs. 2,852 a year ago). [3] Includes T.G. & Y. sales. [4] Includes 264 Zayre stores (vs. 258 a year ago), 278 Hit or Miss stores (vs. 244) and 86 T. J. Maxx stores (vs. 64). [5] Excludes supermarket sales.

Wal-Mart's Big K provides sales punch

Wal-Mart officially included the 90 former Kuhn's-Big K locations it purchased a year-and-a-half ago in its same-store sales calculations for the first time in February. The final score: same-store Wal-Mart's up 11%; same-store Big Ks up nearly 15%, reports David Glass, vice chairman/chief financial officer.

The Bentonville, Ark.-based discounter's total sales were up 29.5% in February on revenues of $228 million.

The Big K takeovers, Glass notes, accounted for close to 14% of Wal-Mart's total volume last year. For the fiscal year ended Jan. 31, 1983, sales were up 38.1%, reaching $3.3 billion from the previous year's $2.4 billion. The chain's store roster was also beefed up, with Wal-Mart adding 50 units for a total of 541.

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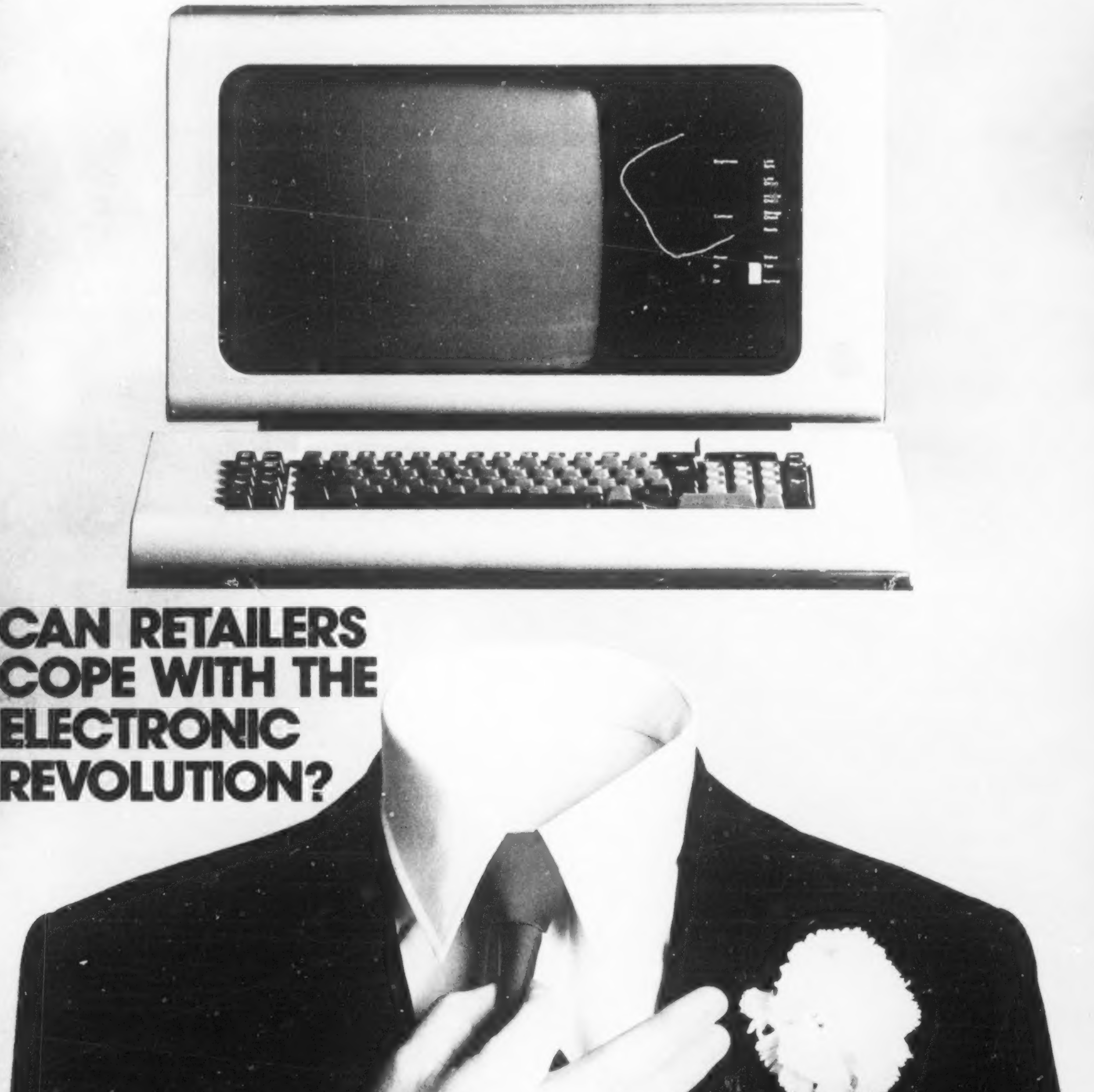
Chain Store Age

GENERAL MERCHANDISE EDITION May 1983

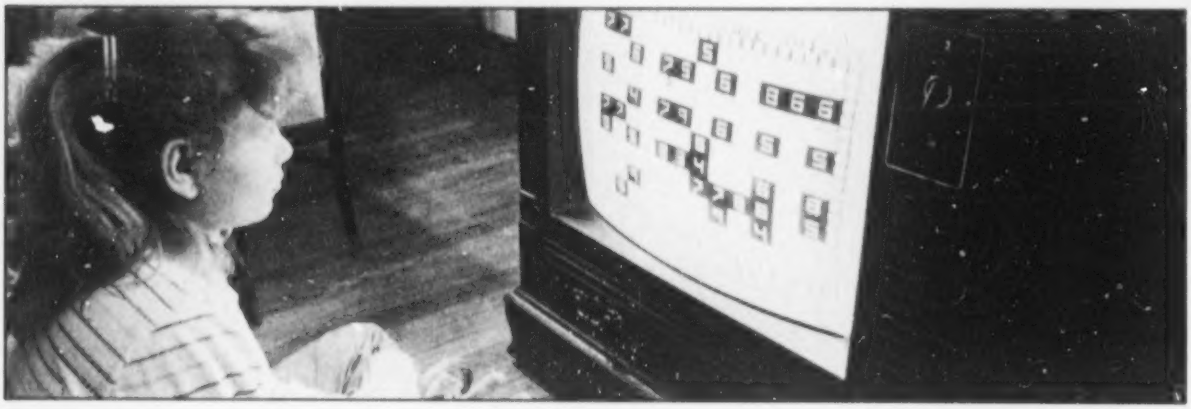
ISSUED IN TWO SECTIONS SECTION ONE



CAN RETAILERS COPE WITH THE ELECTRONIC REVOLUTION?

TWO DOLLARS PER ISSUE

IN THIS ISSUE



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Chain Store Age
GENERAL MERCHANDISE EDITION
CAN RETAILERS COPE WITH THE ELECTRONIC REVOLUTION?

Cover photo by Bill Oliwa

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Apparel specialists lead earnings charge

A good Christmas, strong post holiday sales, lean inventories and lower than expected LIFO charges, not to mention comparison to a poor 1981, combined to make 1982's last quarter and year-end reports happy ones.

Overall, for the 23 companies tracked by *CSA*, fourth quarter earnings soared 26.9% above '81. For the year they ran ahead by 20%. Soft lines specialty stores, followed by the variety/discount sector, showed the best fourth quarter improvements.

For the year, however, the Big 3's 35.5% hike scored best. Most significant was Montgomery Ward's reduction of its loss from $160 million to $93 million.

LIFO's effect on earnings could be seen from Sears' results. Earnings of the retail giant increased by $50 million in the fourth quarter, of which the company attributed $33 million to lower LIFO charges. Hard lines-oriented chains such as Sears and K mart found the most comfort from the 1.9% inflation rate for durables vs. the 6.6% of '81.

Durables posted a lower inflation rate than did soft goods, reverse of the situation in '81. Most analysts are predicting '83 will be a good year for durables. The lower inflation rate should contribute to fulfillment of their forecasts.

Perhaps of even more significance than the overall 2.8% LIFO increase is the big shift in the weighting of the index parts based on their sales. Wearing apparel and accessories dropped from 44.7% of the total to just 40.3%, a 9.7% falloff. The largest part of the decline came from sales of women's outerwear and girls' wear, a 24.1% decrease. In perhaps a reflection of the baby boomlet, infants' wear went up 14%.

Housewares, meanwhile, increased its share by 17.4% to 10.32% of the total index. Domestics/draperies also had a significant increase, 11.9%, while jewelry went up 19.2% and toiletries/drugs climbed 22%.

Fourth quarter earnings salvage retail year

	4th Quarter (000 omitted)			Full year (000 omitted)		
	'81	'82	% change	'81	'82	% change
Penney[2]	209,000	234,000	+12.0	393,000	430,000	+ 9.4
Sears[2,3]	261,800	311,600	+19.0	352,300	455,900	+ 29.4
Ward	(22,000)	16,000	—	(160,000)	(93,000)	—
Subtotal	448,800	561,600	+25.1	584,300	792,900	+ 35.5
K mart	114,900	165,200	+43.8	220,300	261,800	+ 18.8
G. C. Murphy	(490)	6,931	—	4,878	11,744	+140.8
Rose's	4,476	7,328	+63.7	8,242	11,569	+ 40.2
SCOA (Hills)	21,672	23,626	+ 9.0	32,109	36,084	+ 12.4
Wal-Mart	34,117	55,501	+62.7	82,794	124,140	+ 49.9
Woolworth[1]	54,000	70,000	+29.6	97,000	82,900	– 15.5
Zayre	12,471	18,793	+50.7	22,147	35,176	+ 58.8
Subtotal	241,146	347,379	+44.1	467,470	562,503	+ 20.3
Allied	58,454	70,544	+20.7	88,332	90,659	+ 58.8
Associated Dry Goods	51,903	64,529	+24.3	68,774	78,414	+ 12.4
Carter Hawley Hale	24,659	37,293	+51.2	44,762	49,025	+ 9.5
Dayton Hudson[1]	96,052	117,520	+22.4	159,500	198,368	+ 24.4
Federated	129,800	142,400	+ 9.7	258,300	232,800	– 9.9
May Co.	71,000	82,900	+16.6	126,200	141,700	+ 12.3
Mercantile	28,978	34,304	+18.4	57,895	69,941	+ 20.8
Subtotal	460,846	549,490	+19.2	803,763	860,907	+ 7.1
Cole National	14,986	15,928	+ 6.3	8,740	12,720	+ 45.5
Oshman's	4,513	5,702	+26.3	7,552	7,091	– 6.1
Toys "R" Us	41,899	52,481	+25.3	48,920	64,162	+ 31.2
Subtotal	61,398	74,111	+20.7	65,212	83,973	+ 28.8
The Gap	5,852	10,491	+79.3	11,801	18,216	+ 54.4
The Limited	8,139	13,411	+64.8	22,386	33,592	+ 50.1
Miller Wohl	5,077	6,467	+27.4	17,887	16,471	– 7.9
Subtotal	19,068	30,369	+59.3	52,074	68,279	+ 31.1
Total	1,231,258	1,562,949	+26.9	1,973,819	2,368,562	+ 20.0

[1]continuing operations only [2]consolidated operations only [3]U.S. operations only
( ) indicates loss
Source: *CSA* research

Per cent changes in LIFO department store index

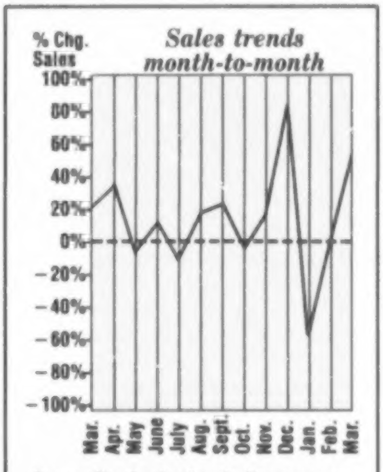
Item	Index weight Jan. '83	Index weight Jan. '82	12 months thru Jan. '83	12 months thru Jan. '82
Piece goods	0.93%	0.87%	+3.7%	+ 0.7%
Domestics/draperies	10.62	9.49	+4.2	+10.3
Women's/children's shoes	2.41	2.46	+1.3	+ 3.3
Men's/boys' shoes	0.52	0.47	+0.7	+ 5.1
Infants' wear	3.59	3.15	+4.5	+ 5.7
Women's underwear	5.63	5.12	+5.0	+ 7.2
Women's/girls' hosiery	1.54	1.59	+3.1	+ 5.2
Women's/girls' accessories	2.48	2.69	+3.5	+ 3.1
Women's outerwear/girls' wear	13.96	18.40	−1.2	− 1.3
Men's clothing	5.90	6.81	+2.3	+ 3.5
Men's furnishings	5.15	4.75	+4.6	+ 6.5
Boys' clothing/furnishings	2.12	2.19	+4.7	+ 0.4
Jewelry	4.53	3.80	−1.8	− 2.9
Notions	2.79	2.74	+9.5	+ 4.1
Toiletries/drugs	7.83	6.42	+7.7	+ 9.2
Furniture/bedding	8.28	8.27	+1.5	+ 5.7
Floor covering	2.16	2.00	+3.8	+10.7
Housewares	10.32	8.79	+2.7	+ 8.2
Major appliances	1.90	1.93	+3.0	+ 7.1
Radio/TV sets	2.49	3.31	−2.0	+ 0.6
Miscellaneous	4.88	4.75	N.T.	N.T.
Total soft goods	69.97	70.95	+3.0	+ 4.0
Total durables	25.15	24.30	+1.9	+ 6.6
Total store	100.00	100.00	+2.8	+ 4.7

N.T. = not tracked

Source: Bureau of Labor Statistics

Early Easter spurs March sales hike

Spurred by mild weather and an earlier-than-usual holiday, March sales continued a strong early-year trend which found consumers responding to the news that the nation is slowly emerging from its economic doldrums. Sales were up 12.3% for the 20 GM chains tracked by *CSA*. All but seven posted double digit sales increases.



Composite of sales trends (increases or decreases) from month to month for the 19 retail companies tracked by *CSA*.

Despite the good showing, retailers remained wary. Most credited an early Easter and mild March for the upsurge—not necessarily the touted economic upturn. "We lucked out with the calendar change with Easter falling in March," said one chain spokesman. "But we're going to pay for that in April."

Nevertheless, GMers had to be pleased with the third straight month of strong sales increases.

K mart, the nation's largest discounter, continued to show signs it has recovered from a prolonged slump. March volume was up 13.3% on sales of $1.5 billion. More importantly, K mart's same-store sales were up 11.8%. In comparison, Wal-Mart's same-store sales were up 10% while Boston-based Bradlees comparable-store results jumped 12%. The March results, said chairman Bernard Fauber, "reinforces our conviction that consumers like what they see in the economy as well as the merchandising changes at K mart."

Major appliance sales also continued to show strength. Sears reported that durables—particularly microwave ovens, refrigerators and television sets—scored sales gains for the sixth consecutive month. Sears' overall sales were up 5.8% in March compared to a 2.1% increase in March 1982.

Among other chains, Minneapolis-based Dayton Hudson continued to surge with a 14.7% same-store sales increase for March. Woolworth volume was up 9.2%, and Mercantile sales (with only one additional store) jumped 16.6%. Carter Hawley Hale volume was up 12%; May Dept. Stores, up 19%, and Federated's discount store division (including Richway and Gold Circle) was up 40.9%, pacing corporate's 17.1% gain in sales.

Robust March could turn April soggy

		MARCH SALES*		STORES		2-MO. SALES*		
MAJOR CHAINS	% change	1983	1982	1983	1982	1983	1982	% change
SEARS[1]	+ 5.8	1,853,271	1,751,607	831	852	3,127,517	2,973,854	+ 5.2
PENNEY	+ 6.7	873,000	818,000	2,053	2,080	1,440,000	1,393,000	+ 3.4
WARD[1]	+ 2.5	466,879	455,641	385	389	787,526	770,452	+ 2.2
FEDERATED[5]	+ 17.1	727,600	621,200	410	N/A	1,245,600	1,078,100	+ 15.5
DAYTON HUDSON	+ 26.6	559,623	441,962	1,003	888	905,745	724,463	+ 25.0
MAY DEPT. STORES	+ 19.0	345,600	290,500	1,490	1,289	569,300	484,700	+ 17.4
CARTER HAWLEY HALE	+ 12.0	280,300	250,300	1,034	961	481,100	431,400	+ 11.5
ASSOCIATED DRY GOODS	+ 12.8	286,800	254,300	248	245	463,200	416,400	+ 11.2
MERCANTILE	+ 16.6	119,034	102,095	85	84	199,649	172,441	+ 15.8
K MART	+ 13.3	1,544,936	1,364,106	2,375	2,383	2,540,977	2,281,501	+ 11.4
WOOLWORTH	+ 9.2	440,788	403,807	N/A	N/A	745,350	703,395	+ 6.0
HOUSEHOLD MERCH.[2,3,5]	− 1.9	221,701	226,061	3,774	3,840	416,788	422,740	− 1.4
WAL-MART	+ 24.7	303,000	243,000	558	500	529,000	419,000	+ 26.3
T.G. & Y.	+ 0.3	156,159	155,651	897	932	285,759	283,324	+ 0.9
ZAYRE[4]	+ 24.5	227,120	182,361	640	587	344,204	275,884	+ 24.8
BRADLEES	+ 35.1	78,900	58,400	107	91	129,000	97,900	+ 31.8
MURPHY	− 1.4	77,164	78,256	420	436	126,105	129,748	− 2.8
ROSE'S	+ 17.4	52,691	44,865	237	233	100,678	87,142	+ 15.5
MELVILLE	+ 26.7	351,811	277,693	5,517	5,206	741,641	615,008	+ 20.6
TANDY	+ 27.1	207,417	163,200	N/A	N/A	389,218	310,149	+ 25.5
EDISON BROS.	+ 8.5	69,242	63,818	2,169	2,114	133,193	123,990	+ 7.4
TOTALS & AVERAGES	**+ 12.3**	**9,086,877**	**8,091,172**	—	—	**15,415,791**	**13,911,267**	**+ 10.8**

**000 omitted. N.C. = no change. N/A = not available.*

[1] Store number for full-line outlets only. [2] Includes 2,829 franchise stores (vs. 2,860 a year ago). [3] Includes T.G. & Y. sales. [4] Includes 265 Zayre stores (vs. 263 a year ago), 288 Hit or Miss stores (vs. 260) and 87 T. J. Maxx stores (vs. 64). [5] Excludes supermarket sales.

Lamston's sold to investor group

M. H. Lamston, the New York-based variety store chain, has reached a tentative agreement to sell all of its outstanding 574,436 shares to investment bankers, Carl Marks & Company, for $15.8 million in cash. The new board of directors for the 50-year-old, 31-store chain will include Burton Adelman, Lamston's pres./chairman.

One of the most successful variety store chains around, Lamston's was rated as the nation's top regional variety store operation in *CSA*'s February 1983 issue.

Sales in 1982 were $44.7 million, up 4.9% on '81. From '77 to '81, Lamston's compound sales growth was 11.5% while its compound operating profit growth was 21.8%—the best rate among the variety store chains.

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APPAREL merchandising

SECTIO
MAY 1

WHAT TODAY'S VENUS WEARS TO BED

WILL PENNEY'S SOFT LINES STRATEGY WORK?

THE LIMITED: UNLIMITED GROWTH

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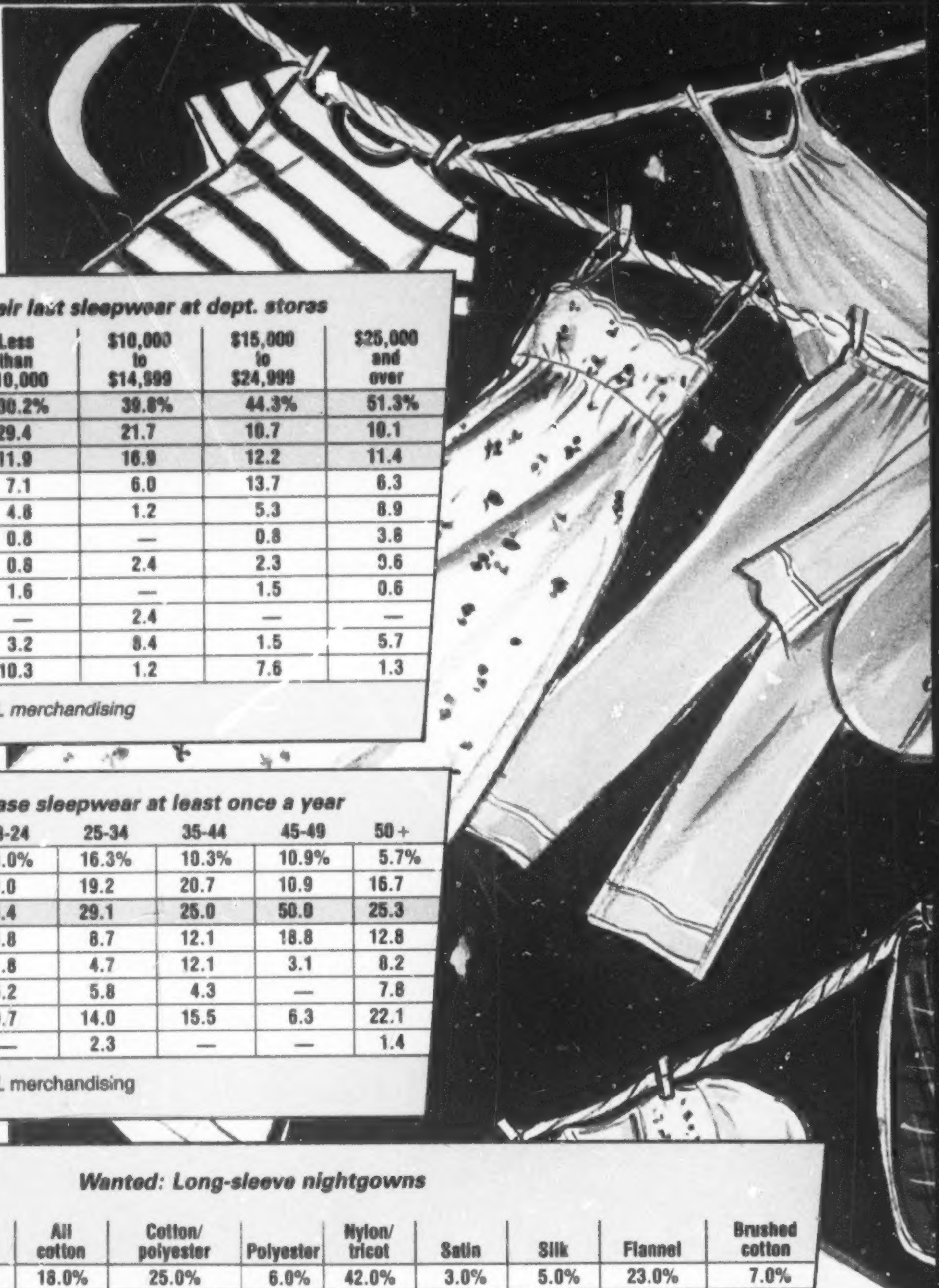

More than 40% bought their last sleepwear at dept. stores

	Total	Less than $10,000	$10,000 to $14,999	$15,000 to $24,999	$25,000 and over
Department stores	41.1%	30.2%	39.8%	44.3%	51.3%
Discount stores	17.5	29.4	21.7	10.7	10.1
J. C. Penney	11.5	11.9	16.9	12.2	11.4
Sears	8.7	7.1	6.0	13.7	6.3
Specialty stores	5.2	4.8	1.2	5.3	8.9
Lingerie shops	1.7	0.8	—	0.8	3.8
Off-price stores	1.4	0.8	2.4	2.3	3.6
Catalog/mail order	0.9	1.6	—	1.5	0.6
Montgomery Ward	0.3	—	2.4	—	—
Other	5.0	3.2	8.4	1.5	5.7
Don't know	6.6	10.3	1.2	7.6	1.3

Source: Gallup Organization for *APPAREL merchandising*

Six out of 10 women purchase sleepwear at least once a year

	Total	18-24	25-34	35-44	45-49	50 +
3 or 4 times a year	9.8%	8.0%	16.3%	10.3%	10.9%	5.7%
Twice a year	19.6	30.0	19.2	20.7	10.9	16.7
Once a year	29.5	35.4	29.1	25.0	50.0	25.3
Every other year	11.7	8.8	8.7	12.1	18.8	12.8
Once every 3 or 4 years	6.5	1.8	4.7	12.1	3.1	8.2
Less often than that	5.8	6.2	5.8	4.3	—	7.8
Never	15.9	9.7	14.0	15.5	6.3	22.1
Don't know	1.2	—	2.3	—	—	1.4

Source: Gallup Organization for *APPAREL* merchandising

Wanted: Long-sleeve nightgowns

		Total	All cotton	Cotton/polyester	Polyester	Nylon/tricot	Satin	Silk	Flannel	Brushed cotton
Nightgowns	Total	83.0%	18.0%	25.0%	6.0%	42.0%	3.0%	5.0%	23.0%	7.0%
	Long with long sleeves	44.6	53.1	52.3	26.3	40.9	38.9	37.1	67.7	69.6
	Long with short sleeves	24.1	18.2	23.3	50.0	30.5	38.9	11.4	17.7	28.3
	Long with straps	10.9	1.4	10.4	21.1	14.7	55.6	20.0	5.5	4.3
	Short with long sleeves	8.1	16.1	6.7	5.3	7.5	5.6	5.7	9.8	8.7
	Short with short sleeves	26.8	30.1	31.6	23.7	26.5	—	42.9	40.2	37.0
	Short with straps	11.3	9.1	10.9	13.2	17.6	—	11.4	11.0	8.7
	Other	0.7	—	1.0	—	0.7	—	—	—	—
Pajamas	Total	24.0	23.0	28.0	5.0	36.0	2.0	4.0	31.0	6.0
	Man-tailored	15.4	17.5	15.5	10.5	17.2	22.2	14.3	23.2	8.7
	Sweat-type	4.4	4.9	6.7	13.2	1.8	—	2.9	4.3	13.0
	Baby dolls	8.2	9.8	6.7	—	6.8	—	5.7	9.8	8.7
	Other	1.5	2.1	1.0	—	0.7	—	—	3.0	—
	Lingerie/teddy	2.4	1.4	3.1	2.6	3.2	—	—	2.4	6.5
	T-shirt	7.9	11.9	11.4	15.8	5.0	—	2.9	5.5	6.5
	Other	0.8	0.7	2.1	—	0.4	—	—	—	—
	Nothing	3.3	—	—	—	—	—	—	—	—
	Don't know/unspecified	2.1	2.8	1.0	—	0.7	—	—	1.2	—

(Responses add up to more than 100% due to multiple answers.)

Source: Gallup Organization for *APPAREL merchandising*

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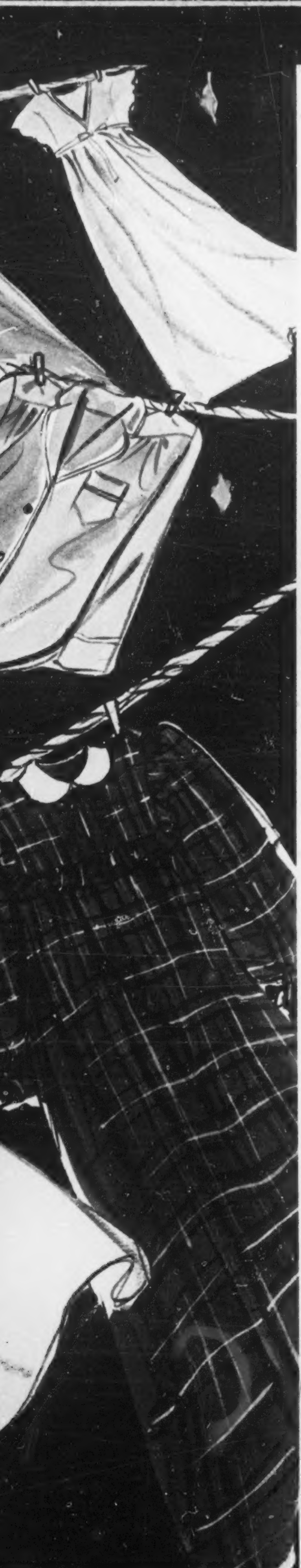

ILLUSTRATION BY KATHY PALTZIK

Consumer Watch:

women's nightwear

While *Playboy* may have become slicker and intimate apparel more fetching in the past 10 years, American women seem to be harking to a different beat. Nearly 50% are wearing long nightgowns with long sleeves to bed. What's more, close to 70% are wearing brushed cotton or flannel long-sleeve nightgowns.

These are just some of the findings of a nationwide poll conducted exclusively for *APPAREL merchandising* by the Gallup Organization. American women apparently are putting more store behind comfort and warmth than sexiness or intrigue.

They are also not purchasing sleepwear all that frequently. Less than 10% buy three to four times a year, not quite 20% buy twice a year, while 1 out of 3 buys only once a year. And some women never buy at all. Nearly 16% gave this response. Retailers take note: Of these women, 30% were between the ages of 25-44, today's target customers.

Just about as many women bought two to three months ago as bought over a year ago, 26.1% vs. 27.6%, respectively. These time periods scored the highest frequency, followed by 1 out of 5 purchasing six months to a year ago.

A large number of American women recently purchased their sleepwear at department stores. A little more than 40% went to one of these stores. Not surprisingly, over 50% of the women who shop there have household incomes of $25,000 or more.

Catalog chains and discounters were next on women's shopping lists. One out of 5 headed to Sears, Penney or Ward. Penney commanded the largest share, perhaps reflecting its strong commitment to soft lines. Sears followed and Ward's barely placed, with only 0.3% saying they would go there. Discounters were the popular shopping spot of 17.5% of American women (see chart).

While a large number purchase at department stores, women do not seem to be paying department store prices. Consider 1 out of 4 said she paid less than $10 for her last sleepwear. Or a little more than 1 out of 5 shelled out between $10 and $14, while another 20% paid between $15 and $19. Less than 16% paid between $20 and $49, and only 1.1% paid $50 or more. About 14% didn't know.

Women are not heavy purchasers of sleepwear. Most (61.9%) buy only one item at a time. Does this mean women are dissatisfied with their place of purchase? Not so.

According to the *Am*/Gallup Research, more than 4 out of 5 insisted they would return to the same place for additional sleepwear. Furthermore, most women maintained the selection was adequate. About 3 out of 4 found what they wanted.

Not as many women as might be thought purchased sleepwear on sale. Almost 40% paid full retail, while about 45% bought sleepwear at off-price. Approximately 15% could not remember.

Brand names also seemed to have slipped from memory. About 2 out of 3 forgot what brand they purchased. Of the brands shoppers could name, Penney placed the highest. About 8% wore Penney nightwear. Shoppers also named Vanity Fair (6.3%), Sears (5.8%), Barbizon (2.2%) and Miss Elaine (1.6%). No other brand placed above 1%.

American women, hands down, choose nightgowns as their favorite sleepwear. More than 80% opt to get into bed with these nightclothes. They also like pajamas but not nearly as much (24%). All other types of sleepwear pale in comparison: Roughly 8% want a T-shirt, only 2% chose a teddy.

Women also select fabrications for nightgowns that are industry workhorses. Nylon tricot turned up as a favorite for any type of nightgown as did cotton/polyester and flannel. Shoppers also purchased a lot of nylon tricot pajamas, as well as flannel and cotton/polyester blends.

Sleepwear is O.K. to give for gifts, the research revealed. Sixty per cent of the women said they would give it as a present. What would they give? Nightgowns, of course. ***Am***

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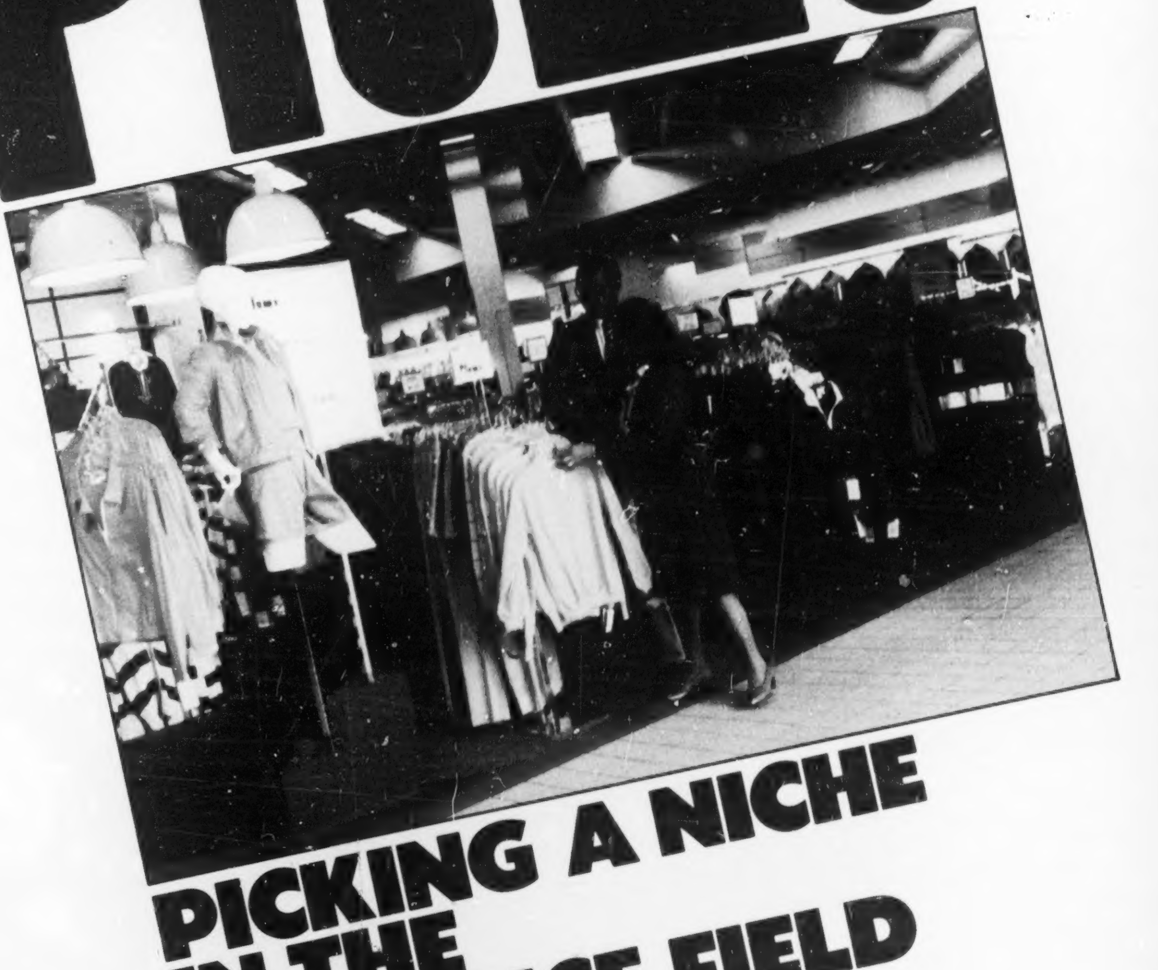
Annual "yardsticks" report: The Top 100 chains

Chain Store Age

GENERAL MERCHANDISE EDITION June 1983

Plums



PICKING A NICHE IN THE OFF-PRICE FIELD

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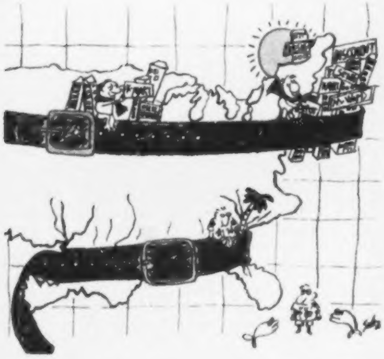
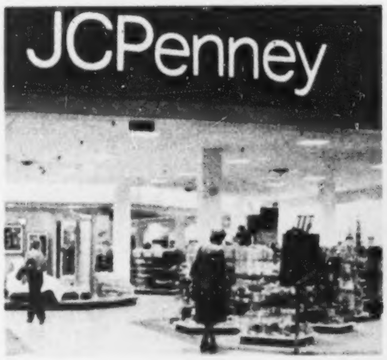
TWO DOLLARS PER ISSUE

IN THIS ISSUE



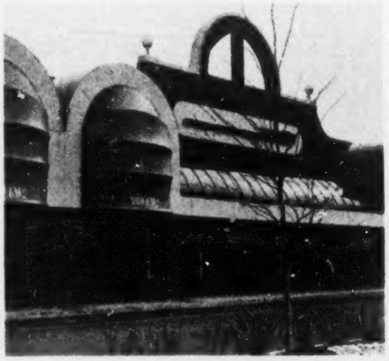
Frostbelt warms up sales

For retailers, at least, the economic climate is quickly improving in the beleagured Frostbelt States. General merchandise sales are on the upswing and some observers say the country's Northern tier is, for the first time in decades, ripe for expansion. Meanwhile, the Sunbelt States are wilting from the soft energy market, unemployment and, in some regions, slower population growth 31



State of the Industry

The Top 100 general merchandise chains witnessed a 7.3% sales increase in 1982 while the nation's Top 15 retailers benefited from a hefty 12.6% increase in their profits. For the hard lines specialty stores, sales were up 18% while the soft line specialists recorded a 12.9% gain. And, as in years past, once again R. H. Macy, J. C. Penney and Wal-Mart were the leaders in their respective divisions 34



Off-price comes of age

It was the year of the off-pricer. This dynamic growth has caused many retail powerhouses to get involved. ADG bought Loehmann's, Dayton Hudson opened Plums and K mart debuted Designer Depot. Whether sales will continue at the heady 35% annual increases established over the last five years is another question. However, one thing is for sure: No one doubts the staying power of off-pricers 131

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14K goals for new Service venture

One of the giants [illegible]he catalog showroom industry, Se[illegible]e Merchandise, has ventured into specialty jewelry retailing by opening ZIMM'S, a 4,500-sq.-ft. fine jewelry and giftware store in the Hundred Oaks Mail in Nashville last November.

Service, already a major force in the estimated $12 billion jewelry industry, is no stranger to jewelry retailing, featuring jewelry and watches prominently in its catalog showrooms. Last year, about 21% of company sales were generated by jewelry, Service's highest profit category with maintained gross margins approximating 35%.

ZIMM'S—located in a regional mall anchored by J.C. Penney, Woolworth and Harvey's, a local department store—competes with four other jewelers in the mall.

Young and old are tough to please

		Age			
	Total	**18-24**	**25-34**	**35-49**	**50 and above**
Department store	82.7%	72.6%	83.5%	85.0%	83.0%
Sears, Ward, Penney	68.5	69.0	69.5	70.8	65.4
Discount stores	56.0	54.9	58.0	56.6	54.0
Specialty stores	66.9	69.0	75.5	70.8	54.9

Source: Mark Clements Research for *Self* magazine

Quality is in the age of the buyer

If quality counts in the store selection process, department stores, not surprisingly, have a leg up on their general merchandise competitors. That's just one of the findings gleaned from a recent Mark Clements Research study of 1,500 working women polled for *Self* magazine.

The survey found that 82.7% of the working women rated the merchandise available in department stores as good or excellent. This compares to only 56% of the poll participants giving high marks to discounters. The Big 3 catalog chains edged in ahead of specialty stores on the quality scorecards.

What's interesting is that women 50 years and over, perhaps succumbing to the "they-don't-make-it-the-way-they-used-to" syndrome, are the most critical analysts of quality for each store type *except* department stores.

They come in every shape, size and style. Some are funny. Some sentimental. All unique. The new line of products and people you'll be getting with your expanded Forget-Me-Not department.

You'll meet the card enthusiasts. You know, the ones who send cards to everyone and for every occasion? They want selection and once they find out Forget-Me-Not has over 1,750 everyday designs (plus 30% more seasonal cards than before), they'll be picking them up by the dozen.

Then there's the people who don't just stop at cards. They want more from a complete card department. And with all our gift wrap, party goods, party favors, candles, posters, and more, they're bound to be regular customers.

So start making room for our newly expanded line. And while we're on the subject of expanding, maybe you should make more room for your customer lines as well.

FORGET ME NOT
AMERICAN GREETINGS
WE'RE GROWING TOGETHER

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Jamesway set to tackle new turf

Jamesway's drive into Delaware with the mid-April opening of twin 80,000-sq.-ft. stores in former Woolco sites must have sent shudders through the ranks of the state's top discounters—K mart, Ames and Jefferson Ward. The high-flying regional's formula of brand names at popular prices—a familiar refrain in the discount industry—sent Jamesway's sales and earnings to record highs last year.

The Delaware debut represented half of the units the Secaucus, N.J.-based chain opened in April—the other two located in Cornwell Heights, Pa., and Laurel, Md. The Delaware stores are situated in Claymont and Newark, markets where K mart held sway with single-store entries. Jamesway plans to open 10 stores this year.

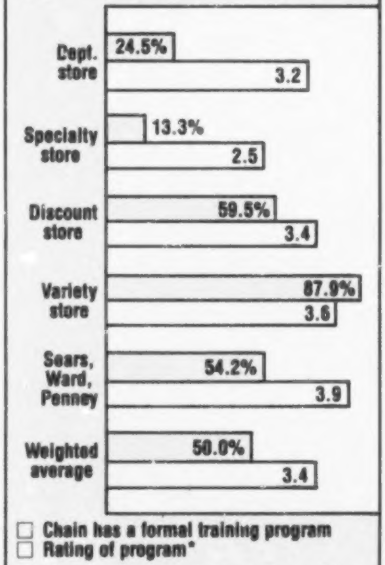
Jamesway closed last year with volume up 12.3% to $332.5 million and profits soaring 60.2% to just under $6.8 million. The chain has been stepping up its apparel assortments following the appointment of Theodore Bierman as sr. vp/gmm-soft lines early in '82. Bierman is a former department store merchant and some market observers credit a portion of Jamesway's improved bottom line to stronger margins in soft lines.

Correction

In the April 1983 issue of *Chain Store Age*, the five tiers of general merchandise retailing in the chart (right) were incorrectly labeled indicating that store managers participating in the survey rated variety stores as the best trainers. In fact, the Big 3 catalog chains received the highest ratings from their store managers.

Correction

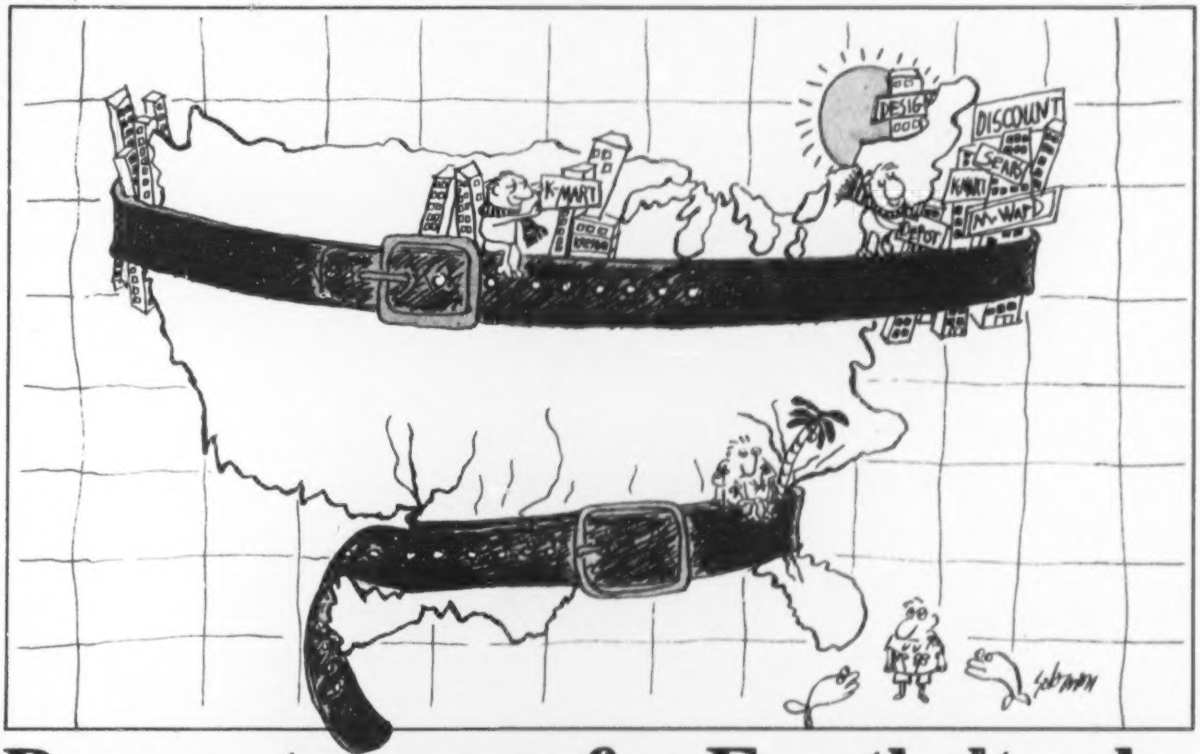
Big 3 are the best trainers*



**Rating based on a scale of 1 to 5 with 1 being poor and 5 being excellent*

Source: *CSA* research

Introducing the newly expanded line from Forget-Me-Not.



Prospects warm for Frostbelt sales

☐ For retailers, at least, the economic climate is quickly improving in the beleagured Frostbelt States. General merchandise sales are on the upswing and some observers say the country's Northern tier is, for the first time in decades, ripe for expansion. Meanwhile, the Sunbelt States are wilting from the soft energy market, unemployment and, in some regions, slower population growth.

In 1982 the U.S. Department of Commerce monthly GAF sales reports (general merchandise) revealed the shifting trend. This economic flip-flop was particularly evident in comparisons of the two most economically disparate regions—The East North Central States (which includes the industrial Midwest) and the West South Central region (including energy-rich Texas and Oklahoma).

The East North Central States were hit hardest by recession as the nation's smokestack industries fell on hard times. And while unemployment remains at disturbing levels (as high as 25% in February in some cities), consumer confidence and sales growth are on the rise.

From 1978 through 1982 the region's compound sales growth was only 3.6% compared with a 6.6% national average, according to Commerce Department figures. But there were signs the region's fortunes were turning by the end of 1982. Although GAF sales were up a small 2.7%, the gain was slightly above the 2.4% national average and stronger than many economically robust regions (see chart).

While the country's Northern tier is ripe for expansion, the Sunbelt States are wilting.

The nation's largest retailers also reported gains from their Midwest stores in their monthly sales reports. Sears, K mart, Federated and Montgomery Ward all indicated that the Midwestern stores began showing significant sales increases beginning late last year. "The Midwest territory had the best sales gains for the industry. The Milwaukee group was the best for Sears in terms of sales gain," says Tom Swanstrom, Sears' chief economist.

The sales upswing continued into the new year. The region's GAF sales were up 5.5% for January and February compared with the 4.3% national average.

The New York-based Conference Board's Consumer Confidence Index also showed the foundation was being laid for a consumer spending comeback in the Frostbelt States. In the East North Central region the index was up 31.1% for the first quarter of '83, compared with the same period in 1982.

At the same time, Sunbelt States began to show a retail sales downturn as well as a decline in consumer confidence. The Conference Board index was down 19.7%, the only decline in the country in the West South Central region for 83's first quarter.

The region—which also includes Louisiana and Arkansas—has been plagued by the decline in oil prices. Commenting on corporate's Oklahoma City-based John A. Brown department store division, Dayton Hudson pres./ceo Kenneth Macke says, "When oil dropped, we dropped with it."

And so did many other GMers, expecially in Texas where retailers and Government officials discovered that the energy industry did not make the Lone Star State recession-proof.

While the Sunbelt's 1978-82 compound sales growth was a strong 10.6%, 1982 sales were up a slim 0.9% and down 5% for January and February. In Texas alone, GAF sales were down 8.1% in the first two months of the year. The state has suffered through seven consecutive months of percentage declines dating back to August 1982.

The Sunbelt's recent economic troubles may have some retailers rethinking their southern strategy. Not only has the recession touched the prosperous region, but many major markets are suffering from retail oversaturation. In fact, some industry analysts say the next major expansion drive may be in the Frostbelt States.

At least that's what New York-based Lehman Brothers Kuhn and Loeb Inc., is forecasting. "Things go in cycles," explains Fred E. Wintzer Jr., first vp, Lehman Securities Division, "and the cycle for the last 10 to 15 years has been everybody trying to get into the Sunbelt and they [retailers] overdid it, which they always do."

Sears' Swanstrom reports *Milwaukee was best for the company in sales gains.*

Six of the top 10 overstored markets are in Sunbelt States, according to an early '83 retail industry report authored by Wintzer. Southern Florida is the most overstored market, the report says, followed by an area spanning eastern Texas and Oklahoma.

The Frostbelt is fertile expansion territory because of its high per capita income, a large population base and a slow retail expansion rate. Out of 24 large Sunbelt and Frostbelt markets, Wintzer has tabbed Boston, New York, Detroit (see accompanying story), and Minneapolis as the most attractive markets "relative to future retail expansion potential."

"Those markets have the best potential based on low levels of saturation and high per capita income," Wintzer explains. "And this is all despite low population growth. Those particular markets have been ignored by expansion-minded retailers who have been plowing into the Sunbelt. Right now you're not getting new people [retailers], outside blood, into those markets."

The Frostbelt freeze creeps south

Region	Compound sales growth '78-'82	1982 % sales growth	Feb., Jan. '83 % sales growth	Consumer confidence % change[1]	'70-'80 % pop. growth rate	Projected '80-'90 growth rate
New England	+ 8.1%	+8.9%	+ 6.9%	+17.9%	+ 4.3%	+ 6.1%
Middle Atlantic	+ 5.5	+2.4	+ 5.2	+16.1	− 1.1	− 6.1
East North Central	+ 3.6	+2.6	+ 5.5	+31.1	+ 3.5	+ 1.2
West North Central	+ 4.8	+2.7	+ 5.4	+41.8	+ 5.3	+11.3
South Atlantic	+ 7.6	+4.0	+10.7	+18.7	+20.4	+13.1
East South Central	+ 5.6	+5.7	+ 4.1	+17.4	+14.7	+23.3
West South Central	+10.6	+0.9	− 5.0	−19.7	+22.9	+26.6
Mountain	+10.6	−0.7	+ 0.1	+ 8.1	+37.3	+35.6
Pacific	+ 6.7	+1.2	+ 2.1	+12.6	+19.9	+18.0
Average	+ 6.6	+2.4	+ 4.3	+12.7	+11.5	+11.2

[1] *The Conference Board: Jan.-March 1983 compared with the same period 1982.*
Note: Sales percentage change based on U.S. Dept. of Commerce GAF sales reports.

Sources: *CSA* research, The Conference Board, U.S. Dept. of Commerce and the Harvard Business Review.

Wintzer adds that newer forms of retailing, such as catalog showrooms and off-price apparel outlets, are in the best position to expand into these once-flourishing Frostbelt markets. "A lot of these older [innercity] neighborhoods are starting to come back and they're understored with a lot of newer concepts and overstored with a lot of dying concepts such as mom and pop stores and independent drug stores," he says.

K mart, the nation's largest discounter, appears ready to set out on a Frostbelt expansion strategy of its own with its new off-price apparel chain, Designer Depot. Many of the stores will be placed in renovated Kresge variety store units, much of which are based in older, urban locations.

Nevertheless, the long-term prospects for the Sunbelt are still upbeat. Projected population growth rates are high for most southern markets until the end of the decade, which may ease the overstored situation *if* retailers hold the line on expansion. But there are still many opportunities outside major metropolitan Sunbelt markets as evidenced by Bentonville, Ark.-based Wal-Mart's blitzkrieg expansion in Texas. "The thinking in the industry is that the growth is in the South and the Southwest," contends Sears' Swanstrom. "As of now I think retailers will have to operate as if there will not be a reversal [in the Frostbelt States] and expansion will still have to be concentrated in the South and Southwest."

From 1980 to 1990, the nation's fastest-growing regions will be the

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East South Central, the Mountain State and the West South Central, Gregory Jackson and George Masnick write in their *Harvard Business Review* article on United States regional growth. The authors say the Sunbelt States will continue to profit from economic and population growth. "The nation faces a continuing shift of employment, income and population away from the 'older [economically mature]' industrialized and densely settled regions of the North toward the 'newer,' less industrialized and more sparsely settled regions of the South and West," they write.

However, two Northern "resurgent" regions—New England and the West North Central States (from Minnesota south to Kansas)—will experience economic and population growth through the end of the decade, Jackson and Masnick forecast.

But the bottom line is that expansion-minded retailers can no longer afford to lavish attention on the Sunbelt regions at the expense of Northern states. As Chicago-based retail economist Jay Levine says, "I just wouldn't discount the Frostbelt." □

Kingsway filling Detroit's retail void

***Pres. Arthur Stuart credits** Kingsway's success to filling merchandise gaps.*

□ Kingsway is a four-store, innercity discount department store chain in Detroit, a city which has lost 20 major retail outlets since the early 1970's. It's also a market where unemployment in some neighborhoods is as high as 25%. But despite the city's well-documented economic trials, Kingsway has managed to carve out a profit in a community others have long abandoned.

"There was a vacuum here and we filled it," says Arthur Stuart, the chain's president. "You've got to be pretty hungry to come in here."

In 1982 Kingsway logged sales of slightly more than $60 million with a 25,000 sku inventory which ranges from pet supplies to home furnishings. The chain's sales-per-gross-square-foot is estimated at $104 compared with a year-end 1981 $76.51 average among regional discounters tracked by *CSA*.

Kingsway customers are predominantly black (70%), but Stuart says shoppers are drawn from all economic levels. "This is a tremendous misconception about innercity customers," says Stuart. "We don't have a single customer. They run the gamut from poverty pockets to homes where incomes are in the excess of $100,000. The central cities are perceived as being ghettos. They're perceived as being poverty pockets. There are poverty pockets and there are ghettos, but there are other areas as well."

The chain, with stores located in recycled retail outlets, heavily emphasizes apparel as well as young family-related merchandise. Stuart, in fact, has developed a "Kidsway" department where infants' and children's apparel, furniture, toys and sporting goods are located on the complete second floor of the chain's two-level stores. "We recognized there was an area for children's and infants' products," explains Stuart. "Although the birthrate has dropped nationally, within our market there is still population growth."

Stuart, in fact, attributes the chain's success to filling merchandise gaps in the Detroit market. Health and beauty aids is one example, says Stuart. "One of our locations was an Arlan's store for 18 years," he says. "In health & beauty aids, Arlans did about $125,000 a year and they had less than one turn. We'll do close to $2 million in H&BA in that store and our turn is about nine, 10 times."

Despite a virtural monopoly, Stuart says prices are competitive with K mart and other area merchants. "I haven't taken advantage of our position to raise prices," explains Stuart. "We have to run our business as if they [other retailers] are breathing down our necks. I think we would be able to get away with raising prices for a few years, but in the long run it would harm us."

One of Kingsway's trump cards is, apparently, community relations. The chain hires its staff from the black neighborhoods and is also sensitive to the problems many of its customers have had with other innercity retailers. "We've established credibility with our customers—they trust us," Stuart says. "A mistake in this area can't be fixed as easily as other neighborhoods. If a retailer develops a reputation for overcharging, for bad service, for poor personnel policies, for overbearing security—these things can put an operation out of business." □

Exercising caution shaped up '82

☐ The lessons of the last few years have apparently been learned by retailers. Though forced to promote more heavily to stimulate shoppers, retailers are apparently exercising caution in their inventory commitments, both for regular and promotional goods.

Of course, buying apparel closer to season and with lower initial orders has left an inventory void at the supplier level that off-pricers have rushed to fill (off-price chains tracked by *Chain Store Age* increased sales by 28.7% last year). But the more traditional merchants have benefited too.

In 1982, with the aid of a better than expected LIFO provision, the nation's Top 15 general merchandise retailers posted a hefty 12.6% profit increase. The big jump came on top of an 11.8% boost in 1981, so retailers had sufficient reason to be joyful.

Sales, following a 12.4% hike in '81, managed just a 4.1% increase. The improvement was weighted heavily by the inability of Sears, K mart and J. C. Penney, the nation's three largest chains, to do any better than Sears' 3% add-on. Moreover, both Montgomery Ward and Wickes, the latter experiencing massive business withdrawal, chalked up lower sales. Wickes came in 33.3% under '81.

As a whole, the Top 100 retailers improved sales 7.3%, slightly below the 10% forecast by *CSA* a year ago. This year, sales for 20 companies tracked by *CSA* have been running 9.5% better than '81 through the first three months. *CSA* is predicting the Top 100 will ring up a 12% increase this year.

Hard lines chains performed better than the market average. The hard liners, led by the toy chains and Tandy, recorded an 18% increase. Soft lines specialty stores upped their sales by 12.9%.

Of course, some problems remain. Household Merchandising is working hard to pull its operations back into the black. And Wickes remains a troubled company.

Montgomery Ward, however, may be readying some surprises for

(cont'd on p. 47)

Toy chains paced hard lines sales growth

Company	1981 Sales (000 omitted)	1981 Stores	1982 Sales (000 omitted)	1982 Stores	% Sales change
1. Tandy	$1,691,000	8,161	$2,032,555	8,518	+20.2
2. Toys "R" Us	783,285	120	1,041,735	144	+32.9
3. OTASCO	291,000	277	291,000	284	N/C
4. Child World	220,347	71	283,161	79	+28.5
5. Herman's	243,000	92	275,000	95	+13.2
6. Spencer Gifts	216,196	420	247,566	435	+14.5
7. Oshman's	216,427	149	247,264	180	+14.2
8. Lionel Leisure	257,177	105	210,892	56	−18.0
9. Kay Bee Hobby and Toy	142,000	270	183,000	361	+28.9
10. Pier 1 Imports	156,484	287	165,000	274	+ 5.4
Totals	$4,216,910	9,952	$4,977,173	1,426	+18.0

Source: *CSA* Research/annual reports *N/C = No change*

Earnings increase triples sales hike at Top 15 retailers

Chain	1981 volume (000 omitted)	1982 volume (000 omitted)	% Change	1981 earnings (000 omitted)	1982 earnings (000 omitted)	% change	Earnings % sales
1. Sears, Roebuck & Co.[1]	18,228,800	18,778,800	+ 3.0	352,300	455,900	+29.4	2.4
2. K mart	16,527,000	16,772,220	+ 1.5	220,300	261,800	+18.8	1.6
3. J. C. Penney[2]	11,369,000	11,414,000	+ 0.4	393,000	430,000	+ 9.4	3.8
4. Federated[3, 4]	5,935,600[3]	6,423,200[3]	+ 8.2	569,600[4]	527,800[4]	− 7.3	8.2
5. Dayton Hudson[2]	4,942,900	5,660,729	+14.5	159,500	198,368	+24.4	3.5
6. Montgomery Ward	5,742,000	5,584,000	− 2.8	(160,000)	(93,000)	—	—
7. F. W. Woolworth[2]	5,075,000	5,124,000	+ 1.0	97,000	82,000	−15.5	1.6
8. May Dept. Stores	3,400,800	3,653,900	+ 7.4	126,203	141,656	+12.2	3.9
9. Wal-Mart	2,444,997	3,376,252	+38.1	82,794	124,140	+49.9	3.7
10. Allied Stores	2,732,697	3,215,634	+17.7	88,352	90,659	+ 2.6	2.8
11. Associated Dry Goods	2,751,221	3,188,858	+15.9	69,774	78,414	+12.4	2.5
12. Carter Hawley Hale	2,870,735	3,054,764	+ 6.4	44,762	49,025	+ 9.5	1.6
13. R. H. Macy	2,656,689	2,979,391	+13.9	118,739	135,571	+14.2	4.6
14. Household Merchandising[3]	2,911,100[3]	2,926,900[3]	+ 0.5	255,800	(14,900)	—	—
15. Wickes	3,517,208	2,638,215	−33.3	(258,253)	(248,682)	—	—
Totals and averages	91,105,747	94,825,381	+ 4.1	1,929,871	2,218,751	+12.6	2.3

[1] *U.S. Merchandising only* [2] *Consolidated continuing operations only* [3] *Excludes supermarket sales* [4] *GM operating income reported*

Source: *CSA* research/annual reports

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the industry. Though president/chief executive officer Stephen Pistner publicly predicts to show a profit in 1984, a good fourth quarter could nudge Montgomery Ward into the earnings column in 1983. ☐

Dept. stores best discounters again

☐ It wasn't as lopsided as last year, but the comparisons of leading discount stores against department stores showed again that the full-margin retailers are better at recording higher financial ratios.

Of 10 yardsticks computed, department stores outperformed discounters in six and tied in another. Moreover, two of the better scores by the discounters came because they were coming off a poor year in '81, thus giving their net and operating earnings increases artificial boosts. The other yardstick discounters captured, sales per gross square foot, was the only one in which discounters beat department stores in '81.

One of the more significant measurements was the respective operating incomes per gross square foot. Department stores more than doubled the return of discount stores, $9.41 vs. $4.21.

In making the financial comparisons and composites for the respective tiers of retailing, *Chain Store Age* used homogeneous data wherever possible. For example, sales and operating income data for May Dept. Stores and Federated represent department store divisions only. Ratios based on net earnings reflect the companies' complete operations.

Yardsticks: Chains were analyzed in 10 key areas: year-to-year sales change, year-to-year net earnings change, net earnings as a per cent of sales, year-to-year change in operating income (defined as sales minus cost of goods sold, occupancy and buying expenses and selling, general and administrative expenses), operating income as a per cent of sales, sales per gross square foot, operating earnings per gross square foot, return on average equity, return on total year-end assets and compound annual earnings change 1978-82.

For each yardstick chains received a ranking within their respective tiers to determine the best performers.

As measured by the 10 yardsticks, the best chains, for the fifth consecutive year, were R. H. Macy, Wal-Mart and J. C. Penney. ☐

Wal-Mart leads pack by wide margin, Jamesway second

Chain	% Change sales	% Change earnings	Net earnings % sales	% Change op. inc.	Op. inc. % sales	Sales per gross sq. ft.	Op. inc. per gross sq. ft.	% Return average equity	% Return total assets	% Change compound earnings '78-'82
Ames	+10.4	+ 24.8	2.9	−14.3	9.3	$ 76	7.03	18.8	7.7	+ 18.5
Hecks[1]	+24.3	+ 19.9	1.5	+ 9.5	4.2	82	3.41	5.4	2.5	− 8.4
Jamesway	+12.3	+ 60.2	2.0	+60.2	4.8	88	4.18	14.3	5.4	+ 4.0
K mart	+ 1.6[2]	+ 18.8	1.6	+31.4	2.8	118[2]	2.61	10.4	3.6	− 6.6
G. C. Murphy	+ 7.1[2]	+140.8	1.4	+30.9	6.2	88[2]	4.04	9.0	3.9	+290.9
Roses	+11.3	+ 40.2	1.7	+33.0	3.6	78	2.79	13.6	7.5	+ 12.1
Wal-Mart	+38.1	+ 49.9	3.7	+48.3	7.1	131	9.33	30.6	10.5	+ 42.9
Zayre	+12.7[2]	+ 58.8	1.6	+33.6[2]	3.4	87[2]	2.97[2]	14.2	4.7	+ 26.8
Composite	+ 7.4	+ 31.3	1.9	+32.4	3.7	112	4.21	13.0	4.6	+ 3.1

[1] *Continuing operations only*
[2] *Discount stores only*
Source: *CSA* research/annual reports

Penney stays on top while Sears shows big gains

Chain	% Change sales	% Change earnings	Net earning % sales	% Change op. inc.	Op. inc. % sales	Sales per gross sq. ft.	Op. inc. per gross sq. ft.	% Return average equity	% Return total assets	% Change compound earnings, '78-'82
Penney	+4.0	+ 9.4	3.8	+ 5.9	8.3	$100[2]	$9.76	14.0	5.4	+10.3
Sears[1]	+3.0	+29.4	2.4	+29.5	4.5	119[2]	7.37	10.7	6.8	+ 1.7
Ward	−2.8	—	—	− 3.5	3.5	73[2]	3.21	—	—	—

[1] *U.S. Merchandising only* [2] *Excludes all catalog sales*

Source: *CSA* research/annual reports

Regional Dillard strong against nationals

Chain	% Change sales	% Change earnings	Net earnings % sales	% Change op. inc.	Op. inc. % sales	Sales per gross sq. ft.	Op. inc. per gross sq. ft.	% Return average equity	% Return total assets	% Change compound earnings '78-'82
Allied	+14.9[1]	+ 2.6	2.8	+13.2	6.6	$82	$ 6.50	10.9	4.0	+ 2.7
Associated Dry Goods	+ 4.9[1]	+12.4	2.5	+13.8[1]	8.3[1]	86[1]	7.10[1]	10.7	4.6	+23.1
Carter Hawley Hale	+ 5.1[1]	+ 9.5	1.6	+29.2[1]	6.4[1]	92[1]	5.90[1]	7.3	2.6	− 6.1
Dayton Hudson[2]	+ 5.0[1]	+24.4	3.5	+27.3[1]	8.5[1]	130[1]	10.97[1]	15.6	6.7	+19.4
Dillard	+20.0	+35.0	3.1	+18.0	10.6	95	10.05	17.3	5.9	+33.6
Federated	+ 7.1[3]	+ 9.0	3.0	− 8.8[3]	9.0[3]	125[3]	11.28[3]	11.4	5.1	+ 4.3
R. H. Macy	+12.1	+14.2	4.6	+18.8	11.0	134	14.72	18.1	8.4	+22.3
May Co.	+ 5.3[1]	+12.2	3.9	+ 4.8[1]	9.5[1]	88[1]	4.70[1]	14.3	5.4	+ 8.9
Mercantile	+12.5	+20.8	4.9	+19.4	9.8	140	13.68	16.4	9.0	+15.0
Composite	+ 8.6	+ 8.4	3.2	+ 8.4	8.7	105	9.41	13.0	5.4	+10.5

[1] *Department stores only* [2] *Continuing operations only* [3] *Department and specialty stores*
Source: *CSA* research/annual reports

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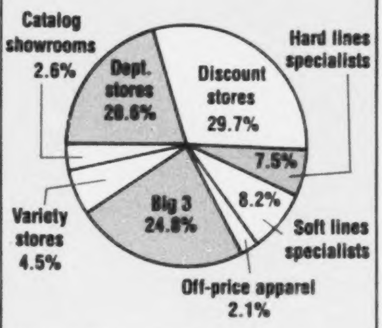
The Top 100 retailers

$141,885,569,000



Source: *CSA* research

Macy & Mercantile pack a 1-2 punch

☐ Extraordinary R. H. Macy and Mercantile did it again. They finished 1-2 in the ratings, with Macy, same as last year, just one point ahead of Mercantile.

Hardly anyone would confuse the stores of the two companies. Macy, which competes against Mercantile in Toledo and Kansas City—is the more dynamic trend merchandiser. In many of its stores retailing is the theater so often talked about but rarely realized. Mercantile's success formula is much more basic. It's a market leader (even against Macy's divisions) that relies on tonnage, private label and a centralized approach to capture big profits.

Both companies prove that a department store company can remain true to its heritage and be successful. Of the 10 yardsticks tracked, Macy or Mercantile finished first in six: Macy in operating income to sales, operating income per gross square foot and return on average equity; Mercantile in net earnings to sales, sales per gross square foot and return on total assets.

As a group, department stores showed mixed results compared to '81. Sales increases slowed to 8.6% from 12%, but, more importantly, operating earnings as a per cent of sales moved ahead from 8.5% to 8.7%. Return on average equity also

Top 100 chain stores, 1982

1982 rank	Company	1981 sales (000 omitted)	1981 stores	1982 sales (000 omitted)	1982 stores	% sales change
1	Sears[1] (Chicago)	18,228,800	851	18,778,800	831	+ 3.0
2	K mart (Troy, Mich.)	16,527,000	2,555	16,772,220	2,370	+ 1.5
	• K mart	15,903,000	2,055	16,152,000	2,117	+ 1.6
	• Kresge/Jupiter/Furr's	624,000	500	620,000	452	− 0.6
3	J. C. Penney (N.Y.)	11,369,000	2,085	11,414,000	2,053	+ 0.4
4	Federated[2] (Cincinnati)	5,935,600	268	6,423,200	390	+ 8.2
	• Bloomingdale's	647,500	16	680,500	12	+ 5.1
	• Abraham & Straus	605,000	14	650,500	15	+ 7.5
	• Foley's	547,300	12	597,709	14	+ 9.2
	• Burdine's	565,500	21	582,800	23	+ 3.1
	• Bullock's (L.A.)	499,900	24	517,900	26	+ 3.6
	• Gold Circle	397,300	36	501,300	50	+26.2
	• Rich's	398,800	17	430,100	17	+ 7.8
	• Lazarus	375,500	16	389,300	17	+ 3.8
	• Filene's	321,600	17	372,800	12	+15.9
	• Shillito Rikes	342,000	16	342,900	14	+ 0.3
	• Sanger Harris	298,900	13	329,200	14	+10.1
	• Richway	266,200	23	321,600	30	+20.8
	• I. Magnin	257,600	25	256,300	25	− 0.5
	• Goldsmith's	125,200	6	130,800	6	+ 4.5
	• Boston Store	111,500	7	117,900	8	+ 5.7
	• Bullock's North	88,600	6	93,000	6	+ 5.0
	• The Children's Place	54,000	71	69,300	89	+28.3
	• Levy's	44,300	1	39,300	2	−11.3
5	Dayton Hudson (Minneapolis)	4,942,900	925	5,660,729	960	+14.5
	• Target	2,054,300	151	2,412,400	167	+17.3
	• Mervyn's	1,062,300	80	1,350,200	92	+27.1
	• Hudson's	658,100	19	683,600	19	+ 3.9
	• Dayton's	410,100	16	437,300	16	+ 6.6
	• B. Dalton	319,300	579	374,300	662	+17.2
	• Lechmere	164,800	6	188,000	6	+14.1
	• Diamonds	140,300	13	143,000	13	+ 1.9
	• John A. Brown	77,000	6	86,100	6	+11.8
6	Montgomery Ward (Chicago)	5,742,000	389	5,584,000	389	− 2.2
	• Jefferson Ward[3]	553,000	51	565,000	50	+ 2.2
7	F. W. Woolworth (N.Y.)	5,075,000	5,014	5,124,000	5,124	+ 1.0
	• U.S. Woolworth	1,696,000	1,263	1,707,000	1,306	+ 1.2
8	May Dept. Stores[3] (St. Louis)	3,400,800	1,273	3,653,900	1,468	+ 7.4
	• Venture	611,500	45	680,300	47	+11.3
	• May California	634,000	33	654,500	34	+ 3.2
	• Hecht Co.	379,300	22	415,300	23	+ 9.5
	• Famous Barr	336,000	14	363,500	15	+ 8.2
	• Volume Shoe	268,900	1,089	319,000	1,279	+18.6
	• Kaufmann's	259,900	10	268,600	10	+ 3.3
	• May-Cleveland	178,600	10	189,000	10	+ 5.8
	• Meier & Frank	163,600	7	176,500	7	+ 7.9
	• G. Fox	145,600	8	152,600	8	+ 4.8
	• O'Neill's	138,600	10	140,100	10	+ 1.1
	• May D&F	129,800	9	136,100	10	+ 4.9
	• Strouss	101,600	9	100,500	9	− 1.1
	• May-Cohens	53,400	6	57,900	6	+ 8.4
9	Wal-Mart (Bentonville, Ark.)	2,444,997	491	3,376,252	541	+38.1
10	Allied Stores[3] (N.Y.)	2,732,697	512	3,215,634	533	+17.8
	• Jordan Marsh (N.E.)	370,000	14	410,000	14	+10.8
	• The Bon	350,000	35	370,000	35	+ 5.7
	• Joske's	320,000	28	340,000	28	+ 6.3
	• Stern's	280,000	15	310,000	15	+10.7
	• Maas Bros.	250,000	19	270,000	19	+ 8.0
	• Jordan Marsh (Fla.)	210,000	13	240,000	14	+14.3
	• Brooks Bros.	160,000	28	180,000	34	+12.5
	• Pomeroy's	115,000	14	120,000	14	+ 4.3
	• Miller & Rhoads	105,000	22	110,000	22	+ 4.8
	• Bonwit Teller	95,000	13	110,000	13	+15.8
	• Donaldson's	95,000	9	100,000	9	+ 5.3
	• Garfinckel's	83,000	10	90,000	10	+ 8.4
	• Millers	75,000	11	80,000	11	+ 6.7
	• Read's	60,000	5	70,000	5	+16.7
	• Block's	65,000	9	70,000	9	+ 7.7

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edged up to 0.5% to 13%, and compound earnings growth increased 0.3% to 10.5%. Overall earnings growth, however, advanced just 8.4% vs. 14.4% a year ago.

A strong third-place finisher was Dillard. The Little Rock-based chain of 65 stores captured first place three times (sales and earnings increases and compound growth) and second twice for operating income to sales and return on average equity.

Despite its much improved year, Carter Hawley Hale remained an underachieving company. It came in (as it did in '81) last (Allied finished just barely ahead of it). Carter Hawley Hale ranked lowest in five of the 10 yardsticks and next to last in two others. ☐

Wal-Mart reigns, Jamesway second

☐ There's hardly a word that hasn't been written touting Wal-Mart. The Arkansas-based discounter fell behind its '81 performance in only two yardsticks: the sales acceleration clocked in at 38.1% vs. 48.8% and the growth in operating income registered "only" 48.3% compared to 56.4%.

But Sam Walton and his associates need not worry. They appear to be rolling strongly along, with little drag from the Kuhn's-Big K acquisition of '81.

Wal-Mart led in six of the yardsticks, including sales and operating income per gross square foot, two areas where the Kuhn's stores have shown remarkable turnaround. When acquired, for example, the Kuhn's units produced just about $55 in sales per square foot.

Though a distant place finisher, Jamesway scored a clear second. It produced consistent numbers, hitting the extremes in only two areas: it was first in the per cent of change in operating income and sixth in compound growth.

K mart came in last. It had the lowest sales and earnings gains, and was lowest in operating income as a per cent of sales and operating in-

Top 100 chain stores, 1982

1982 rank	Company	1981 sales (000 omitted)	1981 stores	1982 sales (000 omitted)	1982 stores	% sales change
11	Associated Dry Goods[3] (N.Y.)	2,751,221	245	3,188,858	311	+15.9
	• Caldor[4]	779,223	74	925,191	79	+18.7
	• Lord & Taylor	525,000	37	565,000	39	+ 7.6
	• J. W. Robinson (Calif.)	380,000	21	415,000	21	+ 9.2
	• L. S. Ayers	186,000	12	190,000	13	+ 2.2
	• Sibley	160,000	14	164,000	14	+ 2.5
	• Joseph Horne	155,000	13	160,000	13	+ 3.2
	• Stix Baer Fuller	142,000	13	142,000	12	N.C.
	• Denver Dry Goods	111,000	12	115,000	12	+ 3.6
	• Hahne	101,000	8	104,000	8	+ 3.0
	• Goldwaters	87,000	9	91,000	9	+ 4.6
	• Robinson's (Fla.)	68,000	7	74,000	7	+ 8.8
	• Stewart's (Ky.)	64,000	7	66,000	7	+ 3.1
	• Pogue's	63,000	5	65,000	5	+ 3.2
	• Powers Dry Goods	43,000	7	45,000	7	+ 4.7
12	Carter Hawley Hale[3] (L.A.)	2,870,735	948	3,054,764	1,026	+ 6.5
	• Broadway So. California	690,000	40	720,000	40	+ 4.3
	• Emporium-Capwell	455,000	20	482,000	21	+ 5.9
	• Neiman-Marcus	388,000	16	420,000	19	+ 8.2
	• John Wanamaker's	399,000	16	355,000	16	+ 4.7
	• Walden Books	300,000	740	345,000	802	+15.0
	• Weinstock's	172,000	12	180,000	12	+ 4.7
	• Thalhimer	170,000	25	179,000	25	+ 5.3
	• Holt Renfrew	165,000	18	165,000	17	N.C.
13	R. H. Macy[3] (N.Y.)	2,656,689	92	2,979,391	92	+13.9
	• Macy's-N.Y.	815,000	15	900,000	16	+10.4
	• Bambergers	770,000	23	900,000	23	+16.9
	• Macy's-Calif.	665,000	21	750,000	21	+12.8
	• Davison's	210,000	12	225,000	13	+ 7.1
	• Macy's Midwest	196,000	21	200,000	19	+ 2.0
14	Household Merch. (Chicago)	2,911,100	3,963	2,926,900	3,768	+ 0.5
	• T.G. & Y.	1,914,170	934	2,121,100	901	+10.8
	• Ben Franklin	858,000	1,683	825,000	1,679	− 3.8
15	Wickes (San Diego)	3,517,208	N/A	2,638,215	N/A	−33.3
16	BATUS[2,3] (N.Y.)	1,557,000	95	2,410,000	178	+54.8
	• Marshall Field's & Co.[4]	1,193,960	77	1,183,314	77	− 0.9
	• Saks	704,000	32	740,000	34	+ 5.1
	• Gimbels-N.Y.	250,000	10	255,000	10	+ 0.2
	• Gimbels-Milwaukee	180,000	11	184,000	11	+ 2.2
	• Gimbels-Philadelphia	160,000	10	162,000	10	+ 0.1
	• Gimbels-Pittsburgh	146,000	7	148,000	7	+ 0.1
	• Kohl's	107,000	17	140,000	22	+30.9
17	Zayre (Framingham, Mass.)	1,797,139	567	2,139,615	617	+19.1
	• Zayre	1,433,348	258	1,615,999	267	+12.7
	• Hit or Miss; T. J. Maxx	363,791	309	523,617	353	+43.9
18	Lucky[2] (Dublin, Calif.)	1,893,900	911	2,054,100	1,029	+ 8.5
	• Gemco/Memco	1,269,000	86	1,381,000	80	+ 8.8
19	Tandy Corp. (Fort Worth)	1,691,000	8,161	2,032,555	8,518	+20.2
20	McCrory Corp. (N.Y.)	1,804,000	1,773	1,741,000	1,792	− 3.5
	• McCrory	762,000	729	760,000	718	− 0.3
	• Lerner	717,000	767	682,000	790	− 4.9
	• OTASCO	291,000	277	291,000	284	N/C
21	Best Products (Richmond, Va.)	1,109,604	100	1,581,650	202	+42.5
22	Belk Stores[5] (Charlotte, N.C.)	1,365,000	350	1,495,000	360	+ 9.5
23	Mercantile[3] (Harrison, N.Y.)	1,269,491	84	1,428,385	84	+12.5
	• Gayfers	225,000	12	250,000	12	+11.1
	• McAlpin's	215,000	9	240,000	9	+11.6
	• The Jones Store	130,000	7	150,000	7	+15.4
	• Castner Knott Co.	125,000	10	140,000	10	+12.0
	• Joslins	110,000	7	125,000	8	+13.6
	• Gayfers/Montgomery Fair	100,000	6	115,000	6	+15.0
	• J. B. White	90,000	6	100,000	6	+11.1
	• Bacons	85,000	5	95,000	6	+11.8
	• Lion	70,000	3	80,000	3	+14.3
24	Melville[6] (Harrison, N.Y.)	1,060,130	1,697	1,384,331	1,897	+30.6
25	W. R. Grace (N.Y.)	1,206,000	504	1,334,000	613	+10.6
26	Service Merch. (Nashville)	1,027,093	122	1,195,283	139	+16.4
27	SCOA (Hills) (Canton, Mass.)	1,057,573	93	1,155,051	99	+ 9.2
28	Fred Meyer[6] (Portland, Ore.)	1,000,000	66	1,065,000	68	+ 6.5
29	Toys "R" Us (Rochelle Park, N.J.)	783,285	120	1,041,735	144	+32.9
30	Edison Bros. (St. Louis)	951,436	2,114	915,900	2,169	− 3.8
31	Meijer[6] (Grand Rapids)	820,000	51	885,000	50	+ 8.0
32	Bradlees (Braintree, Mass.)	718,790	91	871,636	106	+21.3
33	G. C. Murphy (McKeesport, Pa.)	817,823	435	822,282	422	+ 0.5
34	The Limited (Columbus, Ohio)	364,900	422	721,394	825	+97.7
35	Dillard's (Little Rock)	592,867	56	711,323	65	+19.9
36	INTERCO[3] (St. Louis)	672,137	869	685,700	847	+ 2.0

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come per gross square foot. It was next to last on return on assets and compound growth. Still, there appears to be rejuvenation within the chain, and 1983 could well mark a big comeback year for the Troy, Mich.-based discount giant. ☐

Penney tops; Sears gains momentum

☐ J. C. Penney remained on top among the Big 3, but Sears is showing strong momentum that could catapult it into the lead at the close of the current fiscal year.

For '82, though, Penney took the honors by virture of leading Sears and Montgomery Ward in six categories. The victory, however, was somewhat tainted by the fact that Penney went down in half of the yardsticks, including the rates of sales and net and operating earnings increases. In addition, its return on total assets and sales per gross square foot went down slightly. (Sales per gross square foot for the Big 3 were calculated by dividing gross square foot into retail sales exclusive of catalog, even sales at catalog service desks inside stores.)

In several key areas Penney did improve, including net and operating earnings as a per cent of sales and operating income per gross square foot. Sears beat 81's figures in seven of the 10 yardsticks. Its rebound began in '81, so it had trouble matching the sales and earnings, net and operating, increases. But other areas produced handsome comparisons: earnings to sales per cent increased from 1.9% to 2.4%; operating income per gross square foot went from $4.07 to $7.37, and return on assets climbed from 5.4% to 6.8%. Sales per gross square foot totaled $119, vs. $114 in '81.

Ward saw its losses cut substantially in '82. But sales for the year were lower compared to a gain in '81, and operating income also slipped, though operating income as a per cent of sales remained constant at 3.5%. ☐

Top 100 chain stores, 1982

1982 rank	Company	1981 sales (000 omitted)	1981 stores	1982 sales (000 omitted)	1982 stores	% sales change
37	Rose's (Henderson, N.C.)	594,760	234	661,903	238	+11.3
38	Nordstrom's (Seattle)	522,050	34	612,944	36	+17.4
39	U.S. Shoe Corp. (Cincinnati)	457,700	712	583,235	950	+27.4
40	Cook's United (Maple Hts., Ohio)	583,574	118	580,954	116	+ 0.3
41	Petrie (Secaucus, N.J.)	529,800	791	566,682	871	+ 6.9
42	Super Valu[2] (Green Bay)	515,700	274	581,500	291	+12.8
	• ShopKo	336,900	32	389,500	36	+15.6
	• County Seat	178,800	242	192,000	255	+ 7.4
43	Alexander's (N.Y.)	523,552	16	506,781	15	− 3.2
44	Cole National (Cleveland)	407,600	1,636	500,300	1,700	+22.7
45	Strawbridge & Clothier (Phila.)	425,600	26	471,900	31	+10.9
	• Clover[3]	143,000	15	160,000	17	+11.9
46	H. J. Wilson (Baton Rouge)	402,941	70	458,178	75	+13.7
47	Hart Schaffner & Marx (Chicago)	442,000	310	456,000	274	+ 3.2
48	The Gap (San Bruno, Calif.)	417,385	522	444,929	545	+ 6.6
49	Ames (Rocky Hill, Conn.)	383,091	130	422,806	136	+10.4
50	Fedco[5] (Santa Fe Springs, Calif.)	435,000	7	402,236	8	− 7.5
51	Heck's (Charleston, W. Va.)	321,310	119	399,284	96	+24.0
52	C. R. Anthony Co. (Okla. City)	366,000	299	396,000	296	+ 8.2
53	Woodward & Lothrop (D.C.)	334,843	16	357,539	16	+ 6.8
54	Zodys (Los Angeles)	299,452	48	352,000	50	+17.5
55	Pamida (Omaha)[5]	333,642	173	350,000	166	+ 4.9
56	Apparel Retail Corp.[5] (Mass.)	303,000	N/A	338,000	375	+11.6
57	Jamesway (Secaucus, N.J.)	296,200	64	332,500	68	+12.3
58	Carson Pirie Scott (Chicago)	311,087	24	323,414	24	+ 4.0
59	Consumers Distrib.[1] (Edison, N.J.)	252,851	100	309,013	N/A	+22.6
60	Times Square (Brooklyn)	290,000	21	301,000	21	+ 3.8
61	Gateway[6] (St. Louis)	270,000	N/A	301,000	325	+11.5
62	Dollar Gen. (Scottsville, Ky.)	245,453	826	290,069	883	+18.2
63	Elder-Beerman (Dayton)	235,166	167	262,455	197	+11.6
64	S. E. Nichols (N.Y.)	249,000	43	262,000	42	+ 5.2
65	Loehmann's[6] (Bronx, N.Y.)	240,000	53	260,000	61	+ 8.3
66	Grand Central (Salt Lake City)	236,000	32	256,000	32	+ 8.4
67	Spencer Gifts (Pleasantville, N.J.)	216,190	420	247,586	435	+14.5
68	Oshman's (Houston)	216,427	149	247,264	180	+14.2
69	D. H. Holmes (New Orleans)	228,997	28	240,716	29	+ 3.9
70	Glosser Bros. (Gee Bee) (Pa.)	171,085	35	223,733	37	+30.8
71	Miller Wohl (Secaucus, N.J.)	220,952	307	222,375	310	+ 0.6
72	Prange (Prangeway) (Green Bay)	226,700	29	221,840	29	− 2.1
73	Duckwall-ALCO (Abilene, Kan.)	199,103	115	216,282	114	+ 8.6
74	Hess's (Allentown, Pa.)	211,000	29	215,000	29	+ 1.9
75	Higbee (Cleveland)	206,340	12	215,000	12	+ 4.2
76	Brooks Fashions (N.Y.)	179,146	453	211,540	500	+18.1
77	Lionel Leisure (Philadelphia)	257,177	105	216,893	56	−31.8
78	B. Altman & Co.[5] (N.Y.)	195,000	6	210,000	6	+ 7.7
79	Family Dollar (Charlotte, N.C.)	181,712	455	207,419	529	+14.1
80	Jewelcor (Wilkes-Barre, Pa.)	171,085	26	189,000	25	+10.5
81	Bi-Mart (Eugene, Ore.)	169,000	26	186,831	30	+10.6
82	Bergner's[6] (Peoria, Ill.)	181,000	25	186,000	25	+ 2.7
83	Ann & Hope[6] (Cumberland, R.I.)	166,000	4	185,000	5	+11.4
84	Howland-Steinbach, Hochschild Kohn, (Woodbridge, N.J.)	188,300	38	185,000	38	− 1.8
85	Wieboldt Stores (Chicago)	177,800	15	179,000	14	+ 0.7
86	Ohrbach's (N.Y.)	164,000	12	175,000	12	+ 6.7
87	Hart's Family Centers[5] (Col., Ohio)	157,000	21	175,000	24	+11.5
88	Charming Shoppes (Bensalem, Pa.)	143,871	258	174,272	298	+21.1
89	Fisher's Big Wheel (New Castle, Pa.)	163,975	68	169,250	69	+ 3.2
90	White Stores	168,000	81	168,000	81	N/C
91	Syms[5] (N.Y.)	142,000	11	152,000	11	+ 7.0
92	Danner's 3D (Indianapolis)	131,849	57	151,145	57	+14.6
93	J. Byron's (Miami)	148,900	39	168,400	43	+13.1
94	Younker's (Des Moines)	164,508	29	166,838	29	+ 1.4
95	Pier 1 Imports (Fort Worth)	156,484	287	165,000	274	+ 5.4
96	Boscov's (Reading, Pa.)	150,000	8	165,000	9	+10.0
97	Sprouse-Reitz (Portland, Ore.)	151,573	328	150,545	322	− 0.7
98	Winn's (San Antonio)	134,357	228	149,353	228	+11.2
99	ZCMI (Salt Lake City)	134,203	8	141,263	8	+ 5.3
100	W. E. Walker (Jackson, Miss.)	142,240	365	139,600	350	+ 1.8
	Totals	132,265,111	48,887	141,885,569	52,187	+ 7.3

Divisional totals are not duplicated in the tabulation of United States general merchandise chain totals. [1] United States merchandising operations only. [2] Excludes supermarket sales. [3] Divisional sales estimated. [4] Sales are for full year. [5] Estimated sales. [6] Apparel and toy divisions only. N/A = Not available. N/C = No change.

Source: *CSA* research/annual reports/SEC Forms 10K.

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Store of the future accents merchandise + presentation

☐ This month Sears will open its much heralded "store of the future"—the Miami International mall unit will pull together departmental merchandise and presentations successfully tested independent of each other and previously arranged in a Vernon Hills, Ill., remodeled store. The tests, say Sears executives, not only pumped volume up but also contributed to more sales at full margin. In short, the store of the future appears to be a retailer's dream: a vehicle that can add sales and profits.

Sears has shown a remarkable ability to revive profits despite a still anemic sales growth. U.S. Merchandising income in '82 hit a record $455.9 million, up 29.4%, on only a 3% sales gain to $18.8 billion. This improvement follows a 60.7% earnings jump on an 8.3% sales boost in '81. Improvement continued into the first quarter of '83 when losses from domestic merchandising narrowed from $17.1 million to $12.7 million on a 4.6% sales increase.

The thrust of Sears strategy is to generate profits by concentrating on merchandise and presentation improvements. Though some national brands are finding their ways into the mix, the emphasis remains on private label, particularly on lines that Sears can develop into national franchises similar to its Craftsman and Kenmore lines. As it did with Cheryl Tiegs, Sears will use Arnold Palmer, Evonne Goolagong as names to entice.

In apparel it is aiming for a younger, more stylish customer with its Silver Unicorn and Boston Athletic Club offerings. And it has revamped much of its home furnishings department with a coordinated Open Home collection.

The merchandise initiatives will be highlighted through a store system that is slated for considerable overhaul. By the end of this year Sears expects to spend 75% of its $400 million capital expenditures budget on remodels. It will totally redo four stores (Oak Brook, Ill., Bethesda, Md., Valley View in Dallas, and Torrance, Calif.), while installing updated sporting goods, telephone and lingerie departments in all 831 stores. New home improvement departments will go into 31 more units.

In addition, it will place "price lookup" systems in 90% of its stores by year end. Financial centers will go into 100 stores this year and another 150 in '84.

Five more paint and hardware stores are slated for test this year, while the Business Systems Centers are on hold at 45 units pending a review of their profit potential. ☐

Sears continues trimming its organization

☐ Better gross margins contributed greatly to the net income improvement. Cost of goods sold, buying and occupancy expenses went down from 67.7% of sales to 66.3% in '82. Customers preferred higher-quality goods which carried better gross margins. In addition, Sears benefited from a shift in the LIFO adjustment from a pretax charge of $94.3 million in '81 to a pretax credit of $27.4 million.

Though selling, general and administrative expenses went up 0.5% to 29.2% of sales, Sears continued to trim its organization. It reduced its buying department by two to 33 and its administrative field groups by five to 41.

Year	Sales*	Profits*	Stores
1978	$17,263,100	$426,800	851
1979	16,813,000	362,100	849
1980	16,831,000	219,500	854
1981	18,229,000	352,300	851
1982[1]	18,779,000	455,900	831
'78-'82 chg.	+8.8	+6.8	−20 (−2.4%)

*000 omitted. Source: *CSA* research.
[1] Fiscal year ended Dec. 31, 1982.

Sears operated 20 fewer stores at year end vs. '81, though gross square footage increased by 700,000 sq. ft. to 114.6 million. Seventeen of the 26 shuttered stores (six new ones opened) were small hard liners. Sales, excluding catalog, on a gross sq. ft. basis increased from $114 to $119. ☐

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K mart eyes comeback with in-store concepts

☐ The nation's largest discounter appears to be emerging from a financial quagmire that resulted in a 50.2% drop in profits from 1978 through 1981. Although K mart's 1982 sales were up only 1.5%, from $16.5 billion to nearly $16.8 billion, profits increased by 18.8%.

Last year K mart topsiders moved to reverse a two-year downward profit trend by slashing increases in operating costs (selling, general and administrative expenses were held to their smallest percentage gain, up 6.2% in '82, in over a decade), implementing new merchandising programs, installing electronic information systems and closing unprofitable stores.

In a reversal of K mart's growth-through-expansion policy, company officials last year closed eight K mart units, 361 automobile service centers and 66 Kresge and Jupiter variety store outlets. The result: profits jumped to $261.8 million from $220.3 million in '81. (Earnings per share increased from $1.75 in '81 to $2.06.)

The chain, however, accelerated its remodeling program which included new home improvement centers, health and beauty aids departments, bath shops, kitchen shops (known as Kitchen Korner), housewares and consumer electronics departments.

K mart also launched a diversification drive by rolling out the first of the Designer Depot off-price apparel outlets. The new stores, speculation has it, will open in many of the vacant Kresge and Jupiter units. Company officials say they will open a minimum of 30 Designer Depots this year, which are apparently targeted at a blue-collar, middle-class shopper.

K mart also stepped up the expansion of its food-service chain, the 98-unit Furr's Cafeterias Inc. Last year 19 Furr's were rolled out compared to seven in '81. In another food-service venture, K mart has been experimenting with two family restaurant-entertainment centers called "Abra K Dabra."

This year, company officials say they will open 75 K mart stores and close another 17 discount units in August. Only two years ago, K mart opened 178 stores.

The big test for K mart may come in 1984 since this year's profit and sales results will be compared against weak '82 statistics. But K mart officials apparently feel that new in-store merchandising concepts—such as Kitchen Korner, Brand Names for Less and new hardware/home improvement departments—will return the chain to the lofty position it held before more innovative, regional, upscale discounters began chipping away at the mighty 21-year-old chain. ☐

Meldisco becomes K mart's profit partner

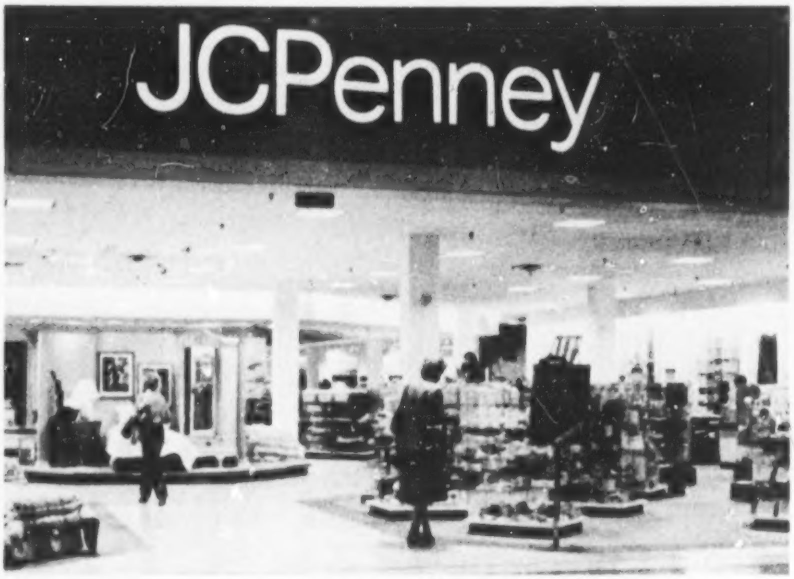
☐ Meldisco, a Melville Corporation subsidiary, is becoming an increasingly important contributor to K mart's profit picture. The Troy, Mich.-based discounter owns 49% of Meldisco, which operates all of K mart's domestic footwear departments.

In 1982, Meldisco accounted for 12.2% ($31.9 million) of K mart's strengthening profits compared with 10.2% in '80. In '81, Meldisco contributed $27.7 million to K mart's weak net profit figure, accounting for 12.6% of the discounter's earnings.

Meldisco's net sales were $759.2 million in 1982—10.3% more than sales in fiscal year 1981. The footwear operation's total net income in 1982 was $62.2 million compared with $57.2 million in 1981—an 8.7% hike. ☐

Year	Sales*	Profits*	Stores
1978	$11,696,000	$344,000	1,891
1979	12,731,000	358,000	2,069
1980	14,204,000	261,000	2,242
1981	16,527,000	220,300	2,374
1982'	16,772,200	261,800	2,370
'78-'82 chg.	+43.4%	−23.9%	+479 (+25.3%)

*000 omitted. Source: *CSA* research.
'Fiscal year ended Jan. 26, 1982.



Repositioning a priority program for J. C. Penney

☐ While retreating from a number of its traditional sales categories, J. C. Penney still eked out a 0.4% increase in sales, up to a record $11.4 billion. At the same time, the nation's No. 3 retailer made significant progress in its program to reposition its medium- and large-size department stores.

Income from continuing operations rose 9.4% to $430 million from $393 million in 1981. But automotive operating losses of $10 million and a $42 million provision for closing the centers resulted in reported net income of $392 million, just 1.3% ahead of 81's $387 million. The '82 figure also reflected $14 million set aside two years ago to close The Treasury, but was not needed.

Corporate attention was focused on refining the new prototype with a merchandise mix (75% soft lines, 25% hard lines) that emphasizes family apparel, home furnishings and leisure lines.

Earlier this year, the company announced its decision to discontinue several departments—auto service, major appliances, fabrics, hardware, paint and candy—which accounted for 2.1% of sales, or $242 million in '82. But Penney feels the new merchandise mix will more than make up for lost sales and provide higher markups and better margins.

Gross margins improved 0.7% in '82 to 32.5% due to the new mix.

With repositioning a priority program, $1 billion has been budgeted for capital expenditures over a five-year period to remodel older units and install the new merchandising concept.

J. C. Penney Financial Services showed a decline in income to $22 million from $29 million in '81 due to higher underwriting costs. Deciding to concentrate on insurance sales through in-store centers and direct marketing, the Great American Reserve Insurance Company, which sold insurance through an agency sales force, was sold for a gain of $18 million.

J. C. Penney Systems Services was formed to market a nationwide electronic communications network to other corporations. Penney also signed a letter of intent with First Bank System Inc. of Minneapolis for its FirstHand videotex pilot program, which provides services such as telebanking, teleshopping plus the latest news, weather and stock updates, a preliminary move toward providing high-tech services to business and financial operations. ☐

Metro store group increases sales

☐ Penney restructured its store classifications during 1982 with its newly designated metropolitan department stores accounting for 66.8% of total sales.

These 576 stores (28.2% of the total corporate store roster), located in premier regional malls, saw volume jump 4% over 81's $7.3 billion, hitting $7.6 billion. Comparable stores showed a 1.3% increase with sales per square foot averaging $161, up $1 from the previous year.

Sales for the 228 metropolitan soft lines stores were down 11.6% to $891 million while the smaller-market "geographic" store volume fell 0.3% to $1.4 billion. Both divisions reported decreases in comparable store sales (6.1% soft lines, 2.2% geographic) and sales per square foot (soft lines stores down $5 to $155, geographic down $2 to $142).

Year	Sales*	Profits*²	Stores
1978	$ 9,951,000	$291,000	2,096
1979	10,352,000	270,000	2,111
1980	10,824,000	283,000	2,119
1981	11,369,000	393,000	2,077
1982¹	11,414,000	430,000	2,046
'78-'82 chg.	+14.7%	+47.8%	−50 (−2.4%)

*000 omitted. Source: *CSA* research.
¹Fiscal year ended Jan. 29, 1983.
²From continuing operations.

Catalog sales were up 1.3% to $1.7 billion with comparable catalog outlets showing overall volume growth of 0.9%.

Drug store sales increased 6.4% to $485 million while Belgian operations accounted for $565 million in sales, a drop of 24.5% reflecting the strengthening of the United States dollar against the Belgian franc. Measured in francs, however, comparable stores increased 4.4%. ☐

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Gold Circle

Discount divisions will lead strong profit recovery

☐ Profits for Federated Department Stores may have taken a tumble in 1982, but the stage is now set for solid growth this year and increasing gains in 1984.

Operating profits from continuing operations for Federated's department, specialty and discount chains dropped 7.3% to $527.8 million compared to 1981. A very aggressive expansion program was blamed for much of the decline, according to Wall Streeters, as was last year's recessionary economy.

In addition to the acquisition of the 65-unit Children's Place specialty chain (since expanded to 89 stores), Federated opened 17 new department stores and 21 discount outlets (including seven Twin Fair stores in upstate New York). This was the largest one-year expansion program in the company's history, increasing the number of stores by 37.7%. From 1977 through 1981, the number of stores increased less than 5% annually.

With a return to a more normal growth rate during 1983 and 1984, Prudential-Bache retail analyst David C. Taylor sees a "substantial reduction in preopening costs, less red ink from new stores to be absorbed by the existing store base and accelerated sales and profits as the [new stores] begin to mature."

Gold Circle, Federated's 50-unit discount chain with stores in Ohio, Kentucky, New York and Pennsylvania, chalked up a net sales gain of 26.2%, the biggest in the company. "Previously existing stores enjoyed a double-digit increase, the best sales performance in Federated," according to chairman/ceo Howard Goldfeder.

Under the leadership of chairman John W. Burden III, Abraham and Straus continued its upward trend from 1981. While sales rose 7.5% last year, compared to 10.5% in 1981, "operating profit showed important growth for the second year in a row," notes Goldfeder, "and the division improved its competitive position in each of its markets."

Looking to 1984, Federated will diversify with a chain of "value-oriented soft goods stores" targeted at the middle market. John H. Eyler, who had been pres./ceo of the May Department Stores' May D&F division, will head up the as-yet unnamed chain. Goldfeder notes that unlike other Federated divisions with their regional strengths, "We expect the new division to be highly transportable and expandable to new geographic regions." ☐

Recession's end spells relief for Federated

☐ Three recession-generated factors took their toll on Federated's profits last year, but the budding economic recovery should give a big boost to earnings in 1983 and 1984.

Interest expense jumped a whopping 44.5% last year to $96.8 million. But according to Prudential-Bache analyst David C. Taylor, 1981 interest charges were artificially low due to cash generated by the sale of two shopping centers late in 1980. This caused the apparently high jump in 1982. Taylor says interest expenses should decline slightly this year.

The late arrival of the recession in the Sunbelt impacted very strongly on Federated's stores there which accounted for 58% of corporate sales. The recovery may also lag in the Sunbelt, causing a slow '83 but stronger '84.

Year	Sales*[2]	Profits*[2,3]	Stores
1978	$4,552,700	$456,100	337
1979	4,923,700	465,900	346
1980	5,319,900	487,400	358
1981	5,935,600	569,600	369
1982[1]	6,393,200	527,800	508
'78-'82 chg.	+40.4%	+15.7%	171 (+50.7%)

*000 omitted. Source: *CSA* research.
[1] Fiscal year ended Jan. 29, 1983.
[2] Excludes supermarkets.
[3] Operating profits.

Sales in Florida, Texas and California were hurt by other specific economic problems—offshore currency fluctuations and problems in the domestic oil industry. Even if these problems are not resolved, their incremental effects will be largely moderated by the end of this year.

A conservative estimate of earnings growth for 1983 is +13% and for '84 a 21% gain is projected, according to Taylor. ☐

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Target & Mervyn's remain old reliable powerhouses

☐ Dayton Hudson Corp. reported increases in sales and earnings for the 10th consecutive year.

Net sales rose 14.5% from 1981's $4.9 billion to $5.7 billion in 1982. Target and Mervyn's remain the company's strengths, contributing nearly two-thirds of the sales, while the company's third growth division—B. Dalton bookstores—performed "below expectations," says Kenneth Macke, president and ceo.

Corporate earnings totaled $198.4 million, an increase of 24.4% over 1981's $159.5 million, while operating profit rose from $577.1 million to $718.7 million. At Hudson's alone, operating income increased 45% in 1982 over the previous year due to a reorganization of management and the closing of the downtown Detroit store as of January 1983. Woburn, Mass.-based Lechmere continued to turn around, and was a prime factor in the 18% jump in operating income for the specialty group last year.

However, poor showings at the 13-store Diamond's and six-store John A. Brown divisions had little impact on operating profit and net sales due to their small sizes. Macke adds that the competitiveness of the Southwest affected Diamond's overall performance, while at John A. Brown, he says, "When oil dropped, we dropped with it."

For the first time in three years, corporate gross margin broke 30% with the 1982 figure at 30.1%. Macke mainly attributes this to improvements in "the gross margin rate and sales" at Target.

Capital expenditures for 1983 will total $475 million. The company will open 39 Target stores (already this year introducing this division to California and with a planned move in Arizona next month, increasing it to 206 units), 17 Mervyn's (bringing the total to 109 stores), one Hudson's department store in Battle Creek, Mich., and 60 B. Dalton stores (increasing this division to 722 units). Lechmere continues to upgrade and remodel its units having unveiled a new prototype in Manchester, N.H., last year.

Macke also notes that the company will have "at least one and no more than two" new businesses under observation at all times. The debut of off-pricer "Plums . . . The Elegant Discounter" in three southern California locations in March is an example of this new strategy. By 1984, the company plans six more stores for this new division within the specialty store group with speculators guessing it will travel cross-country to the East Coast. ☐

Hudson's leads department stores

☐ The department store group showed much improvement in 1982 over 1981. Net sales were up 5%, totaling nearly $1.4 billion as compared with just under $1.3 billion in 1981, while operating income rose 27.3% to $114.4 million. This follows a decline in operating profits in 1981 over 1980 of 4.4%.

Hudson's was the No. 1 factor in the department stores' upswing. By the end of '82, it had closed its Detroit-based flagship and added a 103,000-sq.-ft. store in Lansing, Mich., leaving the division with a total of 5,134,000 sq. ft.

Operating income rose 45% due to the shuttered store and a realignment of management. Sales for the 19-unit division jumped from $658.1 million in 1981 to $683.8 million, or a 3.9% increase.

Year	Sales*	Profits*	Stores
1978	$2,961,900[2]	$ 97,600[2]	588
1979	3,384,800	126,500	661
1980	4,033,500	138,200	831
1981	4,942,900	159,500	925
1982[1]	5,660,700	198,400	981
'78-'82 chg.	+91.1%	+103.3%	+393 (+66.8%)

*000 omitted. Source: *CSA* research.
[1] Fiscal year ended Jan. 29, 1983.
[2] Consisted of 53 weeks.

Dayton's, too, had a good year. Operating profit was up 16% and sales rose 7% to $437.3 million. It trimmed its square footage by 14,000 sq. ft. to 3,348,000 sq. ft. by reducing the downtown stores. ☐

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Montgomery Ward

Scalpel wielding Pistner cuts back Ward's losses

☐ Pres./ceo Stephen Pistner is well into his third year at the helm of a far slimmer Montgomery Ward. Following a near textbook turnaround strategy, Pistner has stemmed the red ink drain. But few analysts see even a glimmer of light at the end of the tunnel despite Pistner's bold boast that Ward will turn a profit next year.

After concentrating on getting his management team in place during his first year, Pistner spent year two cutting fat. Gone are roughly 20,000 employees. Warehouses have been cut from 150 to 43 (the Denver center will close July 1) and catalog distribution centers from nine to seven. And more than a quarter of the truck fleet has been scrapped.

In-store, the first stage of remerchandising Ward also took shape with brand names proliferating and Ward's never-much-of-a-factor private labels being ushered out or, at the most, playing supporting roles to recognizable names.

Nevertheless, Ward still lost $93 million last year, although that marks a $67 million improvement on 1981. That gain, however, is credited to the $100 million savings in operating expenses, cuts in capital spending (down 52.1% to $69 million) and savings in operating, selling, general and administrative outlays, trimmed 6.2% to under $1.1 billion.

Even with the cuts, Ward's pretax profits remained in the red, amounting to a $136 million loss in '82 vs. $217 million in losses in '81.

Ward tested a number of selling formats last year—shopping carts in Iowa, an upscaled look in southern California and more discount-oriented appearance in Merrillville, Ind. The store to watch this year could be in Ford City, Ill., where the second phase of Ward's Impac program debuted recently. Incorporating a number of the experiments tested elsewhere in '82, Ward's future could hinge on the store's showing.

Over the next two years Mobil's top management will change hands with new decisionmakers expected to be less committed to saving the Chicago drain, leading most analysts to believe '83 is crucial for Ward. And the keepers of Mobil's checkbook appear unwilling to invest heavily in what may be a lost cause. Ward will spend a mere $30 million this year to transform 60 stores to the Impac II design. That's nearly $10 million less per store than the chain spent to invade the Philadelphia market with its ill-fated Jefferson Ward cluster. ☐

Cuts aside, sales remain stagnant

Year	Sales*	Profits*	Stores
1978	$5,014,000	$119,000	411
1979	5,251,000	73,000	419
1980	5,497,000	(162,000)[2]	411
1981	5,743,000	(160,000)[2]	390
1982[1]	5,584,000	(93,000)[2]	389
'78-'82 chg.	+11.4%	—	−22 (−5.4%)

*000 omitted. Source: *CSA* research.
[1] Fiscal year ended Dec. 28, 1982.
[2] (Loss).

☐ Operating, selling, general and administrative expenses, down. Capital spending, slashed. Payroll, trimmed. Warehouse, catalog distribution centers, the truck fleet—all scaled down.

All these factors—not to mention net write-offs, largely blamed on bad customer credit, down 5.8% to $113 million—helped Montgomery Ward improve its losses last year and into 1983's first quarter, when the profit drain dropped to $19 million from a $44 million loss last year.

But there appears to be a growing malaise in the chain's primary business, selling merchandise, and analysts fear the brand-names-in-a-reformatted-selling-environment cure may be too little, too late.

Last year Ward's sales slumped nearly 2.8% to under $5.6 billion with only one less store than in 1981. More alarming, sales have remained relatively stagnant since the first $5 billion year—1978—*without* factoring in inflation. And net sales-per-square-foot productivity, down to $143 last year, is just $10 above the level for '77 and trails the $145 peak set in '79.

For the first quarter '83, sales climbed 5% over '82, reaching $1.1 billion. But the '83 level remains 5.1% below first quarter '81 and only 3.2% higher than first quarter '79. In fact, to find even a hint of building sales velocity, observers must travel back to '78 when first quarter volume of $959.3 million was 17.1% below this year's mark. ☐

BEST AVAILABLE COPY

Loehmann's buy balances ADG strategy for 1980's

☐ With its announced plan to acquire Loehmann's, the Bronx, N.Y.-based off-price pioneer, Associated Dry Goods has dropped the other shoe.

Just two years after purchasing Caldor, the upscale New England discount chain, Associated will enter its third sphere of retailing. The acquisition will round out ADG's strategic base for growth throughout the rest of the decade. William P. Arnold, ADG's chmn/ceo, calls the company's quality department stores, Caldor and, now, Loehmann's "essential market areas that will command our attention and resources in the years ahead."

Industry analysts estimate that the 61-unit off-pricer had sales of $260 million last year and an operating profit of approximately $20 million. This operating profit-to-sales ratio of 7.7% fits in neatly between ADG's department store average of 8.3% and Caldor's 6.4%.

Despite the premium price to be paid for Loehmann's, Prudential-Bache analyst David C. Taylor says the move will provide ADG with both high returns and exceptionally strong growth potential.

While Associated is diversifying into nondepartment store retailing through Caldor and Loehmann's, "a substantial amount of time, energy and money will be devoted to upgrade, strengthen and expand [ADG's] presence at the top end of the quality department store business," according to Arnold.

Lord & Taylor will continue to receive the most attention from corporate headquarters. Two new stores are scheduled for opening in 1983, one in the Galleria in Fort Lauderdale and one in West Hartford, Conn. Last year, sales for the 38-unit high-fashion store were $565 million, a 7.6% increase over 1981.

Los Angeles-based Robinson's had an estimated 9.2% gain with sales estimated to have been $415 million.

While the two largest divisions posted "satisfactory sales increases," overall, ADG's department stores chalked up a mediocre 4.9% sales increase. Sales improvement in 1983 should be significantly bettered both from the long-awaited strengthening in the national economy and from the conversion of the five Stewart & Co. stores in Baltimore to the Caldor format.

The results for Caldor were very strong with sales advancing 18.7% to $925.2 million. Five stores were opened last year and 13 more are scheduled for 1983, including the Baltimore units. Caldor will also enter a new market in Long Island with four outlets.

Noting that Associated is now "properly positioned to capitalize on any sales upturn," Arnold says, "Recent sales experience offers every indication of an improvement in consumer confidence, which should translate into a sustained, although perhaps gradual, improvement in sales." ☐

Loehmann's purchase raises analysts' questions

☐ ADG's proposed purchase of Loehmann's for $96 million is dividing retail analysts' ratings of the company.

Citing an expected need to obtain outside financing for the purchase, Standard & Poor's has placed ADG's senior debt and commercial paper on its "credit watch" list. Noting that the additional borrowing needed to buy Loehmann's will cut into Associated's bottom line during the next few years, S&P will reconsider ADG's current A+ rating in 90 days.

But at Prudential-Bache, retail analyst David Taylor has raised his opinion of Associated from 1 to 2 (near long-term investment strength) to 1 to 1. The improvement in the long-term rating from "2" (accumulate) to "1" (aggressive purchase) is based on Taylor's belief "the acquisition will add [at least $11 million] to earnings." ☐

Year	Sales*	Profits*	Stores
1978	$1,605,607	$34,159	155
1979	1,783,212	43,498	163
1980	1,952,239	51,764	167
1981	2,751,221	69,774	245
1982[1]	3,188,858	78,414	247
'78-'82 chg.	+98.6%	+129.6%	+92 (+59.4%)

*000 omitted. Source: *CSA* research.
[1]Fiscal year ended Jan. 29, 1983.

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Venture profits skyrocket, ending doubt over future

☐ Venture's 78.6% increase in operating income for 1982 should end any speculation about the discount division's future. Not only was the $30 million profit nearly double 1981's million, but as a per cent of sales, earnings grew from 2.7% in '81 to 4.4% last year.

Despite the effects of the recession on St. Louis, Chicago and other markets where the 47 Venture stores are concentrated, the chain's sales grew 11.1% to $680.3 million and operating profits took their spectacular leap. While the earnings-to-sales ratio was still short of the corporate target of 6%, the economic recovery predicted for the second half of 1983 should make that a readily attainable goal.

Among May's department stores, Baltimore-Washington's Hecht Co. reported the highest sales gain with a 9.5% increase to $415.3 million, followed by both Famous-Barr in St. Louis and May-Cohens in Florida with increases better than 8%. Only nine-unit Strouss in recession-ridden Youngstown, Ohio, posted a sales decline, down 1.1% from $101.6 million to $100.5 million.

Operating income from department stores increased only 4.8%, reflecting the inordinate amount of promotional activity last year. But, while lower than 1981's 8.4% increase, operating earnings have grown at a compound rate of 6.7% for the past five years, paralleling the 6.8% compound growth in sales.

Volume Shoe continued its surge in both sales ($319 million) and earnings ($40.6 million) with 18.6% and 26.9% gains, respectively. Aggressive expansion of Volume Shoe continued last year with the opening of 190 new stores, including the January 1983 acquisition of 65 Koby's stores in southern California and Arizona. The expansion pace will slow slightly in 1983 as May redeploys assets to the Venture and department store divisions.

Following the opening of three new Venture stores, the first in three years, last October in Chicago, four stores will be opened this year. Three of the stores will be in the Oklahoma City market, a new area for Venture. Citing confidence in continued progress for the discounter, May plans on adding 19 stores between now and 1985, a 40% increase to 66 units.

A number of programs have been announced by May pres./ceo David C. Farrell aimed at helping the company achieve a return on equity in the top 25 percentile of retail companies. According to Farrell, this goal can be reached from existing businesses. Specific programs include spending $200 million to improve productivity in existing stores by a combination of eliminating nonproductive space and refurbishing selling space, substantial investment to control expenses through automation and improved customer service systems. ☐

Annual gains on track at Venture, Volume Shoe

☐ While May's department store division has chalked up a relatively low 6.8% compound annual growth rate for sales since 1977, both Venture and Volume Shoe results have posted strong double-digit gains for the past five years.

Volume Shoe has reported an exceptionally strong 22.2% annual increase in sales and an equally impressive 20.3% annual gain in operating income for the five-year period, including two years prior to its acquisition by May.

At Venture, despite earnings in 1977 through 1981 below the level achieved in 1979, earnings have now reached an annual compound growth rate of 8.9% and sales have grown by 14.6% for the five years. ☐

Year	Sales*[1]	Profits*[2,3]	Stores
1978	$2,716,600	$244,900	809
1979	2,956,500	263,800	984
1980	3,149,800	262,400	1,156
1981	3,400,800	289,100	1,272
1982	3,653,900	322,500	1,468
'78-'82 chg.	+34.5%	+31.7%	+463 (+57.2%)

*000 omitted. Source: *CSA* research.
[1] Fiscal year ended Jan. 29, 1983.
[2] Operating profits.
[3] Retail results only.

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An unsettling year for venerable Woolworth

☐ Woolworth ceo Edward Gibbons died suddenly in October. U.S. Woolco operations were discontinued, and the British subsidiary was sold. The executive ranks were shaken by several major departures, leaving top management solidly in the hands of long-time company insiders. Income from continuing operations dropped 15.5% to $82 million.

It was quite a year for venerable F. W. Woolworth. And, unfortunately, most of the news was gloomy as only the Kinney division performed well although signs of revival appeared at Richman Brothers.

Corporate sales for 1982 eked out a mere 1% increase on '81, closing the year just over $5.1 billion. U.S. Woolworth managed only a 1.2% volume gain, with sales hitting $1.7 billion or 32.9% of total corporate sales.

Problem division Richman Brothers followed up its 1% sales decline in '81 with a 5.4% increase last year as volume rose to $198 million. Richman's net income hit the black after two years in the red, up to $4 million following a two-year loss totaling $9 million.

The biggest problem continued to be *J. Brannam. In a year ripe for off-pricers, sales soared 49.1% (even with a net loss of nine stores), but net income slumped to a loss of $5 million, following $4 million losses in both '81 and '80. Brannam's travails continued as chief exec Len Williams jumped to Gold Circle two months ago, the second Brannam boss to depart in two years.

With the closing of Woolco operations, however, the spotlight shifted to the neglected U.S. Woolworth operation. Combining the best people from both divisions, the company forged ahead with a new, major-mall store prototype which opened in Cherry Hill, N.J., last November.

"Based on the results from Cherry Hill, we see a new beginning for the company," says pres. Jack Parker. "This one store has produced a 39% increase in sales through the end of March."

An additional 25 stores will be remodeled in '83 and if results meet corporate expectations, the remaining 170 major-mall stores will also be revamped within two or three years. These stores represent 25% of Woolworth's total retail space.

The recently formed Chairman Group has established long-range financial goals: an aftertax return on equity of 16%, aftertax return on investment of 11%, inflation-adjusted sales growth of 5% and annual profit increases of 10%. ☐

Shoe sales enjoy healthy push

☐ Kinney Shoe managed to gingerly walk through the recession of 1982, with domestic and international operations kicking in sales of $1.1 billion along the way, 21.8% of total corporate sales.

Domestic Kinney alone contributed 31.4% of U.S. Woolworth volume, or $910 million, an increase of 8.6% on '81. It also delivered 57.6% of domestic income, with profits climbing 6% to $88 million. Sales per square foot averaged $182, the best productivity rate among all divisions, an increase of $11 over '81.

The star in Kinney's stable, Foot Locker—a leader in the athletic footwear industry—opened 99 units in '82 with a similar number scheduled for '83.

"Foot Locker is phenomenal," says Cam Anderson, Kinney pres. "Of all high performance athletic shoes sold in the United States last year, 7% were purchased in a Foot Locker store."

Building on this success, Kinney recently opened Lady Foot Locker with 30 units scheduled to debut by year-end. Lady Foot Locker sells more apparel with activewear accounting for 50% of sales vs. 22% at Foot Locker.

Anderson sees '83 as a good growth year for all the specialty shoe stores including Frugal Frank's, Fredelle and Final Cut. But he is not forgetting Kinney.

A total of 227 openings involving all Kinney groups are scheduled for '83. ☐

Year	Sales*	Profits*[2]	Stores
1978	$4,342,000	$117,000	4,416
1979	4,624,000	126,000	4,647
1980	5,102,000	140,000	4,956
1981	5,075,000	97,000	5,197
1982[1]	5,124,000	82,000	5,124
'78-'82 chg.	+18.0%	−29.9%	+708 (+16.0%)

*000 omitted. Source: *CSA* research.
[1] Fiscal year ended Jan. 31, 1983.
[2] Continuing operations.

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Wal-Mart expands; tests new 'wholesale' concept

☐ Bentonville, Ark.-based Wal-Mart continued its expansion drive in 1982, a year also highlighted by plans for a wholesale, price club outlet which opened in April of 1983.

Last year the 551-unit discounter (including 90 former Kuhn's-Big K stores) logged sales of nearly $3.4 billion—up 38.1% from $2.4 billion in 1981. Same store sales were up 11% compared with 15% in 1981 while sales-per-gross-square-foot increased by 9% from $133 in 1981 to $145.

Profits also increased. Wal-Mart's net income jumped 49.9% from $82.8 million to $124.1 million.

The chain's compound sales growth—for five years ending fiscal year 1982—was 39.1% and its compound profit growth, up a whopping 43.1%.

Wal-Mart's growth will continue unabated through the next five years, company officials say.

More than 80 new units will open by year's end while about 35 existing stores will be remodeled. Another 100 stores, company officials say, will debut in 1984. By 1981 Wal-Mart sales are projected to top $10 billion as the chain expands within and around its current 15-state market area.

More than one-third of the new 1983 sites will be former Woolco units. Wal-Mart officials scrutinized 100 of the now defunct chain's stores before choosing 28 sites which, retail insiders say, were profitable as a group.

Wal-Mart also plans to focus its efforts on existing units.

At the chain's spring merchandising meetings, company officials unveiled their new "Operation 45" promotion, an internal project designed to increase sales and profits in mature Wal-Mart units through employee motivational events and contests.

But the enterprise to watch is Wal-Mart's venture into the wholesale, price club concept.

The first Sam's Wholesale Club opened in April in Oklahoma City and plans are already under way to open two more units by this coming fall.

Company officials, however, are keeping a close eye on the impact the membership-only general merchandise/food outlet has on Wal-Mart stores surrounding Oklahoma City. While one company insider contends "the effect will be very limited," there is some concern the price club may siphon off Oklahoma City consumers who travel to shop the discounter. ☐

Big K units approach Wal-Mart standards

☐ The 90 former Kuhn's-Big K sites are fast approaching the financial standards of the older Wal-Mart stores.

In 1982 Big K sales were estimated at $433 million (the chain's previous high was only $328.1 million in 1978) and Wal-Mart insiders expect sales to jump about 23.0% to $533 million this year. The Big K stores' volume is currently 80% - 90% of mature units.

Profits are also up. The former Big K stores broke even in fiscal 1982 and even showed a profit during the fourth quarter. As for productivity, Wal-Mart officials more than doubled the $55-sales-per-square foot figure at the time of the Kuhn's-Big K purchase in August 1981.

Year	Sales*	Profits*	Stores
1978	$ 900,298	$ 29,447	229
1979	1,248,176	41,151	276
1980	1,643,199	55,682	330
1981	2,444,997	82,794	491
1982[1]	3,376,252	124,140	552
'78-'82 chg.	+275.0%	+321.6%	+323 (+141.0%)

*000 omitted. Source: *CSA* research.

[1] Fiscal year ended Jan. 31, 1983.

Wal-Mart topsiders, however, are still struggling with a higher-than-average shrinkage rate at the former Big K units. The addition of the 90-store group, officials say, was directly responsible for increasing the companywide shrink rate from 1.34% in 1981 to 1.63% in 1982. ☐

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Loss at T.G. & Y. drags earnings to record low

☐ Household Merchandising's general merchandise retail stores and wholesale operations eked out a 0.5% sales increase last year, but a disastrous price-slashing program at T.G. & Y. caused earnings to all but disappear—taking a nosedive from $82.3 million in 1981 to $3.1 million, a 96.2% decline.

While all of Household's retail businesses were hurt by the economic slowdown last year, T.G. & Y. was most severely impacted. As the recession increasingly encroached on the Sunbelt, T.G. & Y. executives responded with across-the-board markdowns and increased promotional activity.

At the same time, an effort to upgrade the 901-unit chain's apparel departments failed. While the expanded apparel selection with its emphasis on fashion merchandise did generate higher sales for the chain, apparel categories accounted for more than half of T.G. & Y.'s total markdowns for the year.

Although Household doesn't break out operating results for T.G. & Y. separately, the discounter and Household's four funiture chains (1982 sales: $146.9 million) chalked up a $9 million operating loss. T.G. & Y. sales of $2.1 billion were up 11.4% compared to 1981.

Another factor adversely affecting Household's bottom line was the higher than expected startup cost for the 10 AIM for the best Stores opened last year. Aside from these costs, though, the upscale offshoot is seen by T.G. & Y. topsiders as the vehicle for improved productivity through the 1980's. All 10 stores are averaging better than $150,000 in weekly volume.

In 1983, T.G. & Y. will open 10 new Family Center stores and five AIM for the best Stores. At the same time, 79 poorly performing units will be shuttered. These stores range in size from 7,080 to 60,000 sq. ft. and include all six stores in the Louisville, Ky., market.

At Ben Franklin, Household's variety store franchise program, a modest 4% decline in wholesale volume was posted. Operating profits also suffered due to a reduction in Household's gross margins (corporately 18.5% in '82 vs. 20% in '81), a move aimed at making the 1,679 independently owned stores more competitive.

The biggest change for Ben Franklin appears to be a major renovation and refurbishing program for store owners. More than 200 stores were remodeled in '82, and a further 190 are already scheduled for this year. Store owners who have chosen either the redesigned variety store format or the company's "home accents" prototype are reporting improving sales, according to Household's annual report.

Blaming a large part of the depressed results for last year on the economic environment, Household International pres./ceo Donald C. Clark says he expects a "slow and moderate recovery in 1983," and notes that significant improvement will not be noted until the second half of the year. First quarter results for Household Merchandising showed only a 3% sales increase. ☐

Income decline is five-year problem

☐ Household Merchandising's net income plummeted to its lowest level in more than 10 years in 19[illegible] a paltry $5.5 million—0.1% of total sales of $5.3 billion.

While much of this decline resulted from the loss at T.G. & Y., net income has steadily declined as a percentage of sales since 1978 for the company's supermarkets, general merchandise stores, furniture stores and wholesale franchise operations.

Year	Sales*[2]	Profits*[2,3]	Stores[2]
1978	$2,119,600	$114,800	4,695
1979	2,445,400	103,700	4,617
1980	2,670,600	81,000	4,619
1981	2,911,100	82,300	3,963
1982[1]	2,926,900	3,100	3,768
'78-'82 chg.	+38.1%	−97.3%	−927 (−19.7%)

*000 omitted. Source: *CSA* research.

[1] Fiscal year ended Dec. 31, 1982.

[2] Excludes Vons.

[3] Operating profits.

In 1978, Household Merchandising sales were $3.3 billion, producing a 1.9% net income of $64.0 million. The next year, net income dropped to 1.5% of sales. For '80 and '81, the earnings-to-sales ratio held steady at 1.0%, before collapsing to 0.1%. ☐

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Wickes Companies

Signs of life in Sigoloff's patient

☐ Sanford Sigoloff's one-year-old struggle to drag Wickes Companies out of Chapter XI has resulted in a major dismembering of the diversified retailer's empire. And while signs of life are appearing, the salvage job has a long way to go.

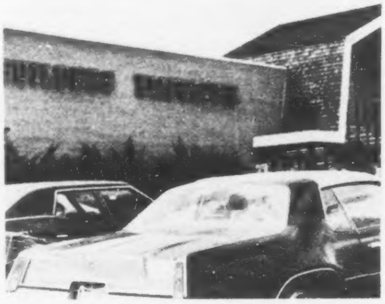
Last year Wickes sold its $236 million agricultural division, 75% of its shares in MacGregor Golf, closed or sold 45 of 55 J. M. McDonald department stores and all of the Gambles department stores, scrubbed Aldens, House of Fabrics and Maxwell furniture to name just a few moves. Sums up a company spokesman, "Not a division wasn't touched."

The bulk of the closings are reportedly over although some stores still face the ax as do Toy World, Rasco, the remaining J. M. McDonald's, Farmaster and Wickes Engineered Materials—all divisions yet to be divested.

So considering the amputation of 1,549 company-owned stores and franchise ventures over the past 12 months, Wickes' 25% decline in volume in 1982 isn't as bad as it looks. Another plus was the improvement in losses, declining nearly $10 million. And the profit drain from continuing operations improved more than $40 million, down to $143.4 million.

Sigoloff also reports that "excluding the reserves" for the divisions yet to be shed, Wickes earned a pretax profit of $8.1 million from continuing consolidated operations in the fourth quarter.

Still to be settled, however, is the $1.6 million in debt—$563 million inherited as part of the Gamble-Skogmo takeover, the move most analysts say snapped Wickes' back—the company owes its creditors. Wickes has proposed a combination of notes, cash, debentures and stock, hoping to develop multiple plans of reorganization with the four individual creditor committees. ☐



Year	Sales*	Profits*	Stores
1978	$1,782,124	$34,378	377
1979	1,963,589	39,701	393
1980	2,876,973	8,276	1,268
1981	3,517,208	(−258,253)	3,176[2]
1982[1]	2,638,215	(−248,682)	1,627[2]
'78-'82 chg.	+48.0%	—	+1,250 (+331.6%)

*000 omitted. Source: *CSA* research.
[1] Fiscal year ended Jan. 29, 1983.
[2] Includes company-owned and franchised stores.

Zayre

Specialty chains head profit parade

☐ Maurice Segall, pres./ceo, has never been shy about closing unprofitable stores. That strategy, along with the meteoric growth of the specialty store division, has catapulted Zayre to the top of the retail industry.

In the past five years, Zayre's compound sales growth has been 11.3%; compound profit growth, 26.8%, and compound operating income growth, 21.5%. In 1982 sales were up 19.1% from $1.8 billion in 1981 to $2.1 billion.

Since the mid-1970's Zayre topsiders have closed 29 discount stores and another 109 Hit or Miss units (since 1978) in an effort to exploit profitable outlets and provide cash to expand the specialty chains.

In March, Segall told a security analysts meeting in New York that the company will close 10 to 15 discount stores annually over the next five years. The discount store division will slowly expand from 264 to 300 stores by 1986. "Our ultimate objective is improved profitability," Segall said. "We do not plan at this time to expand [the discount division] aggressively, but concentrate our energies on those stores already in place."

The company will add about 2 million sq. ft. of space per year "for the next several years," Segall added, most of which will be specialty stores.

By the end of 1986, T. J. Maxx (an off-price, family apparel chain) will expand from 87 to 200 outlets. The 23,500-sq.-ft., on average, T. J. Maxx units—now located as far west as Denver—"will eventually push to the West Coast," Segall said. Hit or Miss (an off-price woman's apparel chain) will expand from 267 to 600 stores by the end of 1986 and may also appear on the West Coast. The Hit or Miss are 4,000-sq.-ft. outlets and target "career women" shoppers.

The westward drive plans fueled speculation that Zayre is considering buying the 50-store Zodys chain from bankrupt HRT industries. Segall will only say, "We are always reviewing possibilities."

The numbers show why Zayre topsiders are bullish on their specialty divisions. From fiscal year 1978 to fiscal year 1982 compound sales growth has been 32.3%, compared with 8.2% for the discount division, and compound operating income growth was 54.7% (9.3% for the discounters). The specialty division expanded at a 54.1% rate since 1978 compared with only a 5.2% rate for the discount wing. ☐

Year	Sales*	Profits*	Stores
1978	$1,394,109	$13,594	480
1979	1,549,729	16,643	528
1980	1,594,235	17,574	531
1981	1,797,139	22,147	567
1982[1]	2,139,616	35,176	617
'78-'82 chg.	+53.5%	+158.8%	+137 (+28.5%)

*000 omitted. Source: *CSA* research.
[1] Fiscal year ended Jan. 29, 1983.

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Mercantile Stores

Trimming fat by merging divisions

☐ Management's conservative fiscal policies have paid off again for Mercantile Stores. Net sales topped $1.4 billion, marking a 12.5% increase over 1981's $1.3 billion figure. Profits rose 20.8% to $69.9 million from $57.9 million and gross margins increased for the third consecutive year to 32.5% from 1981's 32.1%.

The emphasis was on improving same-store sales, expanding divisions slowly, one store at a time. For comparable stores in '82, sales were up 11.9%. Mercantile's debt to equity ratio was 26.7%, the lowest it has been in the past 10 years.

Year	Sales*	Profits*	Stores
1978	$ 922,141	$39,991	84
1979	1,067,937	42,606	84
1980	1,108,076	42,294	83
1981	1,269,491	57,895	84
1982¹	1,428,385	69,941	84
'78-'82 chg.	+54.9%	+74.9%	+0 (+0%)

*000 omitted. Source: *CSA* research.
¹Fiscal year ended Jan. 31, 1983.

Last year the company closed one store within its Canadian division, The Right House, and opened a new Bacons in Louisville, Ky. The latter departed from recent company strategy which has been to close older, innercity stores while opening new units in area suburbs.

Additionally, the company reduced costs while improving merchandising by merging seven of its 17 divisions, leaving a total of 14 operating divisions. The Greenville, S.C.-based White's merged with Augusta, Ga.-based White's. Root's in Terre Haute, Ind., combined with Bacons. And Billings, Mont.-based Hennessy's, Duluth, Minn.-based Glass Block and Fargo, N.D.-based deLendrecie's form another division.

This year, the company plans to spend $46 million generated from within and from mortgaging new stores for two new stores and six remodels. The new stores will be added to Joslins, Denver, Colo.

The company indicates an upscale direction for 1983 with this year's annual report. It is the first since 1974's annual to feature in-store, upscale photography instead of traditional store sketches. ☐

Carter Hawley Hale

Earnings recover from merger effect

☐ Although it took longer than pres./ceo Philip Hawley anticipated, Carter Hawley Hale finally appears to be outrunning the problems encountered since 1980's decision to merge The Emporium and Capwell's into one division and split The Broadway into two.

"It is a pleasure to report significant improvement in the company's performance toward the close of fiscal 1982," says Hawley. "Net earnings for the fourth quarter were up 51.2%."

For the year, net income rose 9.5% to $49 million from 81's $44.8 million, reversing a two-year earnings decline. Sales topped $3 billion, from $2.9 billion in '81, on a 6.4% increase.

The rebound in earnings resulted from improved operating profits of the department stores and specialty merchandising operations (Contempo Casuals and Waldenbooks). The department store segment reported a 29.2% increase, with operating earnings reaching $130.6 million from 81's $101.1 million, while specialty merchandisers contributed $27.8 million, a 33% increase.

Neiman-Marcus
Neiman-Marcus

Year	Sales*	Profits*	Stores
1978	$2,116,586	$63,271	671
1979	2,408,028	69,062	753
1980	2,632,921	57,341	855
1981	2,870,735	44,762	948
1982¹	3,054,764	49,025	1,026
'78-'82 chg.	+44.3%	−22.5%	+355 (+52.9%)

*000 omitted. Source: *CSA* research.
¹Fiscal year ended Jan. 29, 1983.

However, the high-fashion specialty stores (Bergdorf Goodman, Holt Renfrew and Neiman-Marcus) offset these gains with operating profits slumping 35.2% to $43.7 million from $67.4 million.

Additionally, the specialty merchandising operations had the largest '82 sales gain at 16.7%, with $399.6 million in volume, followed by the department stores with a 5.1% increase to over $2 billion. The high-fashion specialty stores managed only a 4.7% gain, up to $628.7 million. Similar to last year, the department stores contributed more than two-thirds of corporate sales.

CHH continues its emphasis on updating its data processing, an effort that should wind down by year-end, and will distribute another 110 common information systems throughout all its divisions, boosting the total of systems to 210. This program is expected to be more cost-efficient and will help improve merchandising.

Capital expenditures for the next five years will be $600 million; a reduction of $100 million from last year's plan. Seven new stores will open: Emporium Capwell will add two, Thalhimers will enter a new market, in Memphis, Tenn., with one store, Holt Renfrew will open two and Neiman Marcus will open two. Bergdorf Goodman continues to remodel its New York flagship. ☐

BEST AVAILABLE COPY

Bradlees

Marching upscale profits south

☐ It's no mystery why Boston-based Stop & Shop Companies Inc., is staking its future on Bradlees. From 1978 through 1982, the upscale discounter's compound sales growth was 15.3% and its compound profit growth 19.5%. "We consider Bradlees as the greatest potential for increases in volume, return on investment and earnings per share," corporate pres./ceo Avram Goldberg told a Boston analysts' meeting earlier this year.

In 1982 Bradlees dominated the Stop & Shop lineup which includes supermarkets, Medi Mart drug stores, Off the Rax off-price apparel stores and C.B. Perkins tobacco shops. The 106-unit chain accounted for 37.2% of total company sales (33.2% in 1981) and 74.9% of Stop & Shop profits (64.2% in 1981).

With corporate mandate in hand, Bradlees topsiders will continue an expansion course which will include, for the first time, the Baltimore and Washington, D.C., markets. A company-record 20 stores will debut by the end of this year—all in previously occupied buildings (last year, Bradlees opened 16 stores including its first units in the Richmond, Va., market). The Bradlees expansion strategy, in fact, is to fill voids left by bankrupt retailers.

Last year Bradlees purchased 12 Two Guys sites [nine in New Jersey alone] and 13 Memco stores from Lucky Stores Inc. "Given the short term, maybe the long-term real estate environment, we need to aggressively pursue existing real estate to recycle as Bradlees stores," Goldberg said. "There's turmoil [in retailing] and this turmoil provides an opportunity for us to grow."

Bradlees has also embarked on an existing store remodeling program. Some 70 of its 106 units are now considered "new stores" as company officials continue to incorporate department store principles such as boutiquing ("Living," "Housewares," and "Kitchen" concepts) and more service departments that target the chain's primarily female shoppers. ☐

Year	Sales*	Profits*	Stores
1978	$493,033	$24,743	76
1979	540,057	28,199	83
1980	634,286	15,720	89
1981	718,790	25,940	91
1982[1]	871,636	50,474	106
'78-'82 chg.	+76.8%	+104%	+30 (+39.5%)

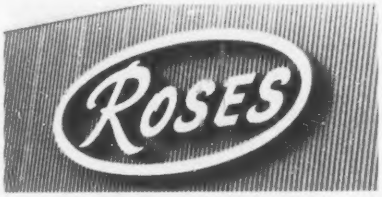
*000 omitted. Source: *CSA* research.
[1] Fiscal year ended Jan. 30, 1982.

Rose's

Cautious spending sends net soaring

☐ The physical changes at Rose's are apparent. Finetuning the chain's upscaled format appears to have been well received in its Sunbelt markets. Volume last year climbed a respectable 11.3% with sales topping $661.9 million from only a net gain of four stores (seven units were closed and 11 opened).

Behind the scenes, however, a strategic emphasis on earnings rather than gross sales resulted in a stellar performance for Rose's—spongy economy or not. Net income soared 40.2%, closing last year just under $11.6 million. Selling, general and administrative expenses were held under 20% of sales for the fourth year in a row. More importantly, the chain's revamp program was conducted with a cautious eye on outlays.



Sources report that upgrading rehab costs were held around $6.25 to $6.50 per square foot including $1.50 for POS equipment alone. Renovation costs, therefore, were roughly the same as more than a decade ago when Rose's spent around $5 per square foot to set up a store.

Year	Sales*	Profits*	Stores
1978	$500,055	$ 7,310	227
1979	497,747	8,719	227
1980	526,288	6,348	235
1981	594,760	8,242	234
1982[1]	661,903	11,559	238
'78-'82 chg.	+32.4%	+58.1%	+11 (+4.8%)

*000 omitted. Source: *CSA* research.
[1] Fiscal year ended Jan. 26, 1983.

But changes in the prototype format, installed in about 15 stores in '82, were considerable. Including the two-year-old stepped-up apparel and housewares departments, the latest revisions feature an off-center entrance, leading shoppers directly into soft lines, increased wall merchandising and an 8-ft. race track vs. the old-style, 15-ft.-wide drive aisle. More departments will be revamped this year with consumer electronics receiving additional space and selections, especially in computers and telephones.

Rose's also expects to slightly increase its store opening program, with 14 units expected to bow, and will probably decelerate the remodeling efforts.

"We're very optimistic," says David Rose, vp/finance and treasurer. "We see great potential [for '83] unless the Fed gets carried away and throws water on everybody." ☐

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Service Merchandise

Catalog showroom sales push higher

☐ Coming off a heady 1981 performance when sales first topped the $1 billion level, Service Merchandise Co. kept the momentum alive and ended fiscal 1982 with net sales of $1.2 billion, a jump of 16.4%.

Service, the nation's second largest catalog-showroom retailer, increased net income 36.8% over 1981 to $31.6 million. Comparable-store sales showed a respectable 6.2% increase, down from the 11.1% increase shown in 1981's banner year.

But the company did not rest on past achievements during 1982. It acquired the seven-unit Sam Solomon Co. based in South Carolina and broke ground for a $40 million, 100,000-sq.-ft. corporate office complex in Brentwood, Tenn. Service also phased out its six-unit toy specialty chain.

SERVICE MERCHANDISE
Catalog Showroom

For the future, the company plans to further refine its two prototype operations—the 30,000-sq.-ft. mini-showroom and the upscale model which spotlights jewelry, their highest product category.

Year	Sales*	Profits*	Stores
1978	$ 528,014	$22,228	83
1979	729,759	19,463	99
1980	865,017	20,389	113
1981	1,027,093	23,069	116
1982[1]	1,195,263	31,569	139
'78-'82 chg.	+126.4%	+42%	+56 (+67.5%)

*000 omitted. Source: *CSA* research.
[1] Fiscal year ended Jan. 1, 1983.

Silent Sam, the customer-operated ordering terminal, currently in 25% of the showrooms, will be installed in the remainder of the units this year.

Service ended 1982 with a strengthened financial position from the offering of $35 million convertible debentures and 1.06 million shares of common stock. ☐

Best Products

New direction seen after buying binge

☐ It was quite a year for Best Products. The catalog showroom operator bought Basco (11 of 19 showrooms remain) and capped off six years of talk by acquiring Modern Merchandising's 72 outlets. But Best isn't standing pat as emphasis shifts from volume gains to profits and diversifications.

Last year sales climbed 42.6%, reaching nearly $1.6 billion, and net income hit $28.8 million, up 44.2%. But over the past five years, Best's net profit-to-sales ratio has eroded from 4.1% in 1978 to 1.8% the last two years.

A major brand names domestics program—competing with department stores rather than the Big 3—debuted late last year in a move to trade-up and bolster margins which have eroded from 25.2% in '78 to about 23.8% in '82. Best has also revamped its backbone department, jewelry, in its new prototypes which bowed in the Dallas/Fort Worth area in March.

INFORMATION INFORMATION

Year	Sales*	Profits*	Stores
1978	$ 526,068	$21,485	51
1979	696,830	26,625	62
1980	841,803	21,676	75
1981	1,109,064	19,983	100
1982[1]	1,581,650[2]	28,820[2]	202[2, 3]
'78-'82 chg.	+200.7%	+34.1%	+151 (+296.1%)

*000 omitted. Source: *CSA* research.
[1] Fiscal year ended Jan. 29, 1983.
[2] Includes results of Basco and Modern Merchandising from June 28 and Oct. 2, respectively.
[2, 3] Includes 4 Data Base and 9 Ashby's specialty stores.

Competition from discounters and a tripling of retail square footage in the catalog showroom industry in the 70's have limited Best's expansion prospects. The chain will open seven new showrooms this year while moving away from its standard 60,000- to 65,000-sq.-ft. format to be more opportunistic in site selection. A lean 30,000-sq.-ft. unit and an 80,000-sq.-ft. megashowroom with expanded toys and sporting goods departments will be tested this year.

But sources speculate that Best's specialty chains will be prime vehicles for growth. Data Base, a four-store microcomputer chain launched last March, will add 12 units this year. Best acquired Ashby's Ltd. the same month and immediately began converting the nine-store apparel specialist to a high-quality, off-price operation. Some five or six Ashby's are planned for '83. And Best topsiders refuse to categorically deny reports corporate will spin off a chain of 200 to 300 self-standing jewelry stores over the next five years. ☐

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Tandy Corp.

Radio Shack hits record earnings

☐ Tandy Corp.'s strategy of positioning its 6,381 U.S. Radio Shack stores as leading-edge retailers of electronic technology paid off in 1982 by generating a 20.2% increase in sales and a 32.1% gain in net income.

Despite recessionary pressures that have battered the bottom lines for most retailers during the past three years, Tandy continued the upward trend in its net income to sales ratio. Last year, net income was 11.0% of sales compared to 10.0% in 1981. In fact, the net income ratio has increased every year since 1978 when it was 6.2%.

"The most significant marketing program for 1982 was the computer department concept," according to Tandy chairman/ceo John V. Roach. Last year more than 450 computer departments were established in full-line Radio Shack stores and 250 more are planned for 1983.

As a mini-computer pioneer, Tandy has accounted for more than a quarter of all mini-computer sales since 1981. While this market share is projected to decline as more and more manufacturers enter the burgeoning market, this decline is not expected to seriously hurt margins due to the uniqueness of the company's TRS-80 product line.

"With our manufacturing efficiencies, design capabilities and distribution and marketing strengths, the overall impact of price competition should not be a major problem on our margins," explains Roach.

Tandy will continue to maintain its strong position in the computer marketplace by introducing new models, like the micro-size Model 100, and improving accessories.

And, in keeping with the Tandy tradition of innovative retailing as the computer market stabilizes, the company is already branching out into new areas to maintain its sales velocity. This month, Radio Shack begins selling its $99.95 pocket pager. High costs have limited the pager market to approximately 2.5 million units in use today, but analysts predict that as many as 20 million pagers will be in use at the end of the decade.

Tandy is also developing a strong position in the communications market with its Radio Shack Telephone Centers. Aimed at the small business customer requiring up to 40 telephones, four stores have been opened and more are scheduled for later this year. ☐

Year	Sales*	Profits*	Stores
1978	$1,059,324	$ 66,146	5,790
1979	1,215,483	83,229	5,842
1980	1,384,637	112,235	5,955
1981	1,691,373	169,602	6,178
1982[1]	2,032,555	224,085	6,381
'78-'82 chg.	+91.9%	+238.8%	+591 (+10.2%)

*000 omitted. Source: *CSA* research.
[1] Fiscal year ended June 30, 1982.

Cole National Corp.

Child World leads corporate growth

☐ Two full years after acquiring Child World/Children's Palace, Cole National Corp. is still excited about the chain's potential. "We see room for improvement in 1983 and in the years ahead," says Boake Sells, Cole president.

Corporate sales, showing improvement for the 11th consecutive year, were up 22.7% to $500.3 million, with Child World accounting for 56.6% of total volume. The toy chain reported sales of $283.2 million, an increase of 28.6% over 81's $220.3 million, and reported same-store sales increases of 19%.

Child World currently operates 79 stores with plans to open 10 to 12 additional units this year. But it has "the potential to double in size by the mid-1980's," says Sells.

Cole National operates six retail chains in addition to Child World: Things Remembered, Key Shop-Mr. Key, The Original Cookie Company, Le Four Francais, Optical Departments (at Sears and Ward) and The Craft Showcase.

The Craft Showcase, which had the worst profit picture in '81 since Cole acquired the company in '71, performed a little better last year. "Sales were down, but an improved cost structure produced slightly better operating results," says corporate treasurer Jeffrey Cole. ☐

A WORLD OF TOYS

Year	Sales*	Profits*	Stores
1978	$145,586	$ 4,922	1,426
1979	158,030	5,661	1,522
1980	173,992	6,705	1,607
1981	407,662	8,740	1,636
1982[1]	500,319	12,720	1,673
'78-'82 chg.	+243.7%	+158.4%	+247 (+17.3%)

*000 omitted. Source: *CSA* research.
[1] Fiscal year ended Jan. 29, 1983.

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Macy's

Store continues record growth

MACY'S COMPUTER STORE

☐ For the seventh consecutive year, R. H. Macy reported record earnings for the fiscal year ended July 1982. Net income of $135.6 million represented a 14.2% increase over 1981's $118.7 million.

Favorable changes in merchandise mix producing improved margins contributed to a 0.1% increase in profit-to-sales ratio to 4.6%, continuing a slow but steady climb from 3.3% in 1978.

But Macy found it was not immune from the effect of an overall sluggish economy. Sales in 1982 increased 12.1%, down from 1980's benchmark 13.9% increase. Comparable-store sales were up 7.7%, breaking a four-year average increase of 9%.

Last year, the corporation opened two new stores, closed two small Ohio units and expanded two others, but major attention is now focused on Macy's October debut in Florida's prosperous Aventura Mall. This is the first step in an aggressive plan announced last year to penetrate the Florida and Texas markets, with additional growth during the next three years involving all branches except Macy's Midwest.

Year	Sales*	Profits*	Stores
1978	$1,834,100	$ 61,154	79
1979	2,058,048	75,817	83
1980	2,373,531	102,260	87
1981	2,656,689	118,739	92
1982[1]	2,979,391	135,571	92
'78-'82 chg.	+62.4%	+121.7%	+13 (+16.5%)

*000 omitted. Source: *CSA* research.
[1] Fiscal year ended July 31, 1982.

Working capital for these expansions—which is estimated at averaging $125 million per year—is once again being generated by cash flow from operations and by financing customer accounts (credit sales are 59½% of total sales) through Macy Credit Corp. ☐

Allied

Sales soar while earnings gain lags

Jordan marsh

☐ Garfinckel, Brooks Brothers, Miller & Rhoads, acquired in September 1981, proved a mixed blessing for Allied Stores Corp. in fiscal 1982.

Allied reported record sales of $3.2 billion, an increase of 17.7% over 81's $2.7 billion. But excluding the contributions of the Garfinckel operations limited this increase to only 5.7%, lagging an Allied-only increase of 9.4% in '81.

Despite the jump in sales, net earnings climbed only 2.6% to $90.7 million from $88.3 million (following a 5.9% increase in '81) as interest costs associated with the acquisition exceeded the earnings contributed by the Garfinckel package.

"Business did pick up during the fourth quarter, but overall 1982 was tough, and four months do not make a year," says Orren F. Knauer, vp/investor relations.

Nine new department stores will be opened this year. Jordan Marsh-Boston will open two units while seven other divisions will receive single-store additions. A total of 26 specialty stores will open, including four Brooks Brothers, six Ann Taylors and one Bonwit Teller. Capital expenditures for expansion were trimmed to $550 million from the $750 million announced in 1981.

Year	Sales*	Profits*	Stores
1978	$2,083,000	$82,339	176
1979	2,210,000	90,135	216
1980	2,268,000	83,386	226
1981	2,732,697	88,332	512
1982[1]	3,215,634	90,659	533
'78-'82 chg.	+54.4%	+10.1%	+357 (+202.8%)

*000 omitted. Source: *CSA* research.
[1] Fiscal year ended Jan. 29, 1983.

"This slowdown is caused by the reduced number of new shopping centers being built and does not reflect a reduced commitment to growth on our part," says Knauer. ☐

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McCrory

Peso devaluation stings McCrory

☐ The Mexican peso devaluation hit McCrory Stores hard, leaving the company with a 3.5% decrease in sales and a 9.1% drop in operating profit.

The McCrory variety store division kept its sales decline to just 0.3%, ringing up $760 million in sales. Operating profit dipped from $50.6 million to $48.2 million.

Lerner Stores, the 790-store specialty chain experienced a 4.9% decline in sales to $682 million and a more sizable 18.9% decrease in operating income to $73.4 million.

OTASCO automotive and home accessories stores had a constant sales volume of $291 million and an increase in operating profit from $17.5 million to $20.9 million. ☐

Year	Sales*[2,3]	Profits*[2,3]	Stores
1978	565,000	34,900	776
1979	619,000	42,500	763
1980	674,000	43,400	751
1981	762,000	50,600	753
1982[1]	760,000	48,200	760
'78-'82 chg.	+34.5%	+38.1%	−16 (−2.1%)

*000 omitted. Source: *CSA* research.
[1] Fiscal year ended Jan. 31, 1983.
[2] Operating profits.
[3] McCrory variety stores only.

BATUS

M. Field's provides punch in weak '82

☐ Despite the $61 million it added to corporate interest expenses, the nearly $173.9 million in assumed debt and its $368 million price tag, the Marshall Field's acquisition put muscle in what would have been a flabby 1982 for BATUS' Retail Division.

Without Marshall Field's, division volume, excluding the supermarkets, slipped 0.8% to just over $1.5 billion with comparable stores down 2.5%. Operating income, including the supermarkets, tumbled 26.8% to $93 million.

But Marshall Field's repainted that grim picture. The general merchandise stores' sales leaped 54.8% to just over $2.4 billion and operating income climbed 27% to nearly $161.1 million. That's not to say Marshall Field's cruised through 82's economic turmoil. Sales for the package acquired in May declined 0.9% to under $1.2 billion.

The Retail Division's internal expansion was relatively aggressive last year. This forge-ahead policy pushed capital spending up 61.8% to $113.6 million—$65.5 million spent on refurbishing stores and installing computerized electronic equipment and $48.1 million on new units.

At Saks Fifth Avenue, where profits reportedly declined, two stores opened (in Dallas and Kansas City) and construction began on four more set to debut this year in Stamford, West Houston, San Diego and New Orleans.

Marshall Field's Company

Year	Sales*[2]	Profits*[3]	Stores
1978	N/A	N/A	N/A
1979	$1,253,800	$ 77,800	84
1980	1,404,800	98,038	89
1981	1,557,000	126,830	95
1982[1]	2,410,000	161,061	211
'78-'82 chg.	+92.2%	+107.0%	+127 (+151.2%)

*000 omitted. Source: *CSA* research.
[1] Fiscal year ended Dec. 31, 1982.
[2] *CSA* estimate excludes supermarkets.
[3] Operating income.

Kohl's Department Stores, positioned between discounters and high-end department stores, proved to be the division's stellar performer. With five new stores operating in '82, sales climbed 30.9%.

BATUS reports that the Gimbels divisions were profitable for the second straight year, capitalizing on a continuing emphasis on streamlining operations by eliminating duplication of functions and creating an electronic data processing center shared by the then New York and Philadelphia operations. This set the stage for the March '83 decision to merge New York and Philadelphia into Gimbels East. Corporate insiders would not comment on plans to link Gimbels-Pittsburgh and Milwaukee, but did note that streamlining of operations was ongoing. ☐

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G. C. Murphy

Toeing the line boosts net profits

☐ Toeing the line on inventories and outlays helped G. C. Murphy churn out a 140.8% increase in net profits last year on a basically flat sales performance.

For 1982, net income soared to $11.7 million from 1981's $4.9 million. Sales (from 13 fewer stores) crept ahead to $822.3 million from $817.8 million in '81, while gross margins jumped from 1981's 25.6% to 82's 27.1%. The earnings-to-sales ratio hit a five-year high, at 1.4%.

"The favorable net income results for 1982 reflect efforts made during the year to improve store productivity, contain costs and more effectively control inventory shrinkage," says Charles Lytle, pres./ceo.

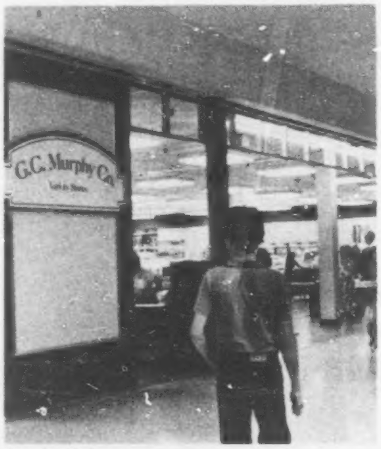
The company reduced cost of goods sold to $599.2 million from 81's $608.5 million. Fall and winter orders were cut back to "minimize the risk of being overstocked at the end of the season," notes Lytle.

Additionally, operating costs were re-evaluated. In '82, the company spent $794.4 million for total operating costs vs. 1981's $800.9 million figure. It closed its Murphy Mart fashion merchandise distribution center in December and advertised fewer items in each circular.

Moreover, the company has been expanding its Murphy Marts and redirecting its conventional stores as indicated by the thrust of the sales returns. Murphy Marts accounted for $531 million, or 64.6%, of net sales while variety and other stores comprised $291.3 million. The 111 discount stores showed an increase of 7.1% over 1981 volume while the 311 conventional stores were down 9.6%. Sales per net square foot in the Marts climbed 2.3% to $102.85, nearly doubling productivity in the conventional stores.

In 1983, five new Murphy Marts will open; two in converted G. C. Murphy variety stores and three in new locations. Murphy Marts will continue to upgrade presentation and, by year end, a total of 88 units will feature the new format that debuted in Baltimore in March '82. Additionally, the company assumed operation of previously leased automotives and sporting goods departments in Murphy Marts.

At the variety stores, the company will continue converting units to the newly developed presentation which bowed in the Monroeville, Pa., store in September '82. Approximately 132 stores will be completed by year-end. ☐



Year	Sales*	Profits*	Stores
1978	$711,996	$ 202	480
1979	756,875	9,854	467
1980	803,699	9,318	448
1981	817,823	4,878	435
1982¹	822,282	11,744	422
'78-'82 chg.	+15.5%	+5,713.9%	− 58 (−12.1%)

*000 omitted. Source: *CSA* research.
¹Fiscal year ended Jan. 27, 1983.

Toys "R" Us

Sales soar over $1 billion mark

☐ Sales for 1982 topped the $1 billion level for toy supermarket giant Toys "R" Us, a 33% increase over 1981. Same-store sales rose 19.5% while net earnings more than kept pace, climbing 31.1%. The chain's net earnings-to-sales ratio remained at 6.2%, the same as in 1981, up 1.3 points in four years.

"Fiscal 1983 further enhanced our position as the nation's largest toy-specialty retailer, accounting for approximately an 11% share [up from a 9.5% share in 1981] of the toy retailing market," says Charles Lazarus, chairman/ceo.

While not neglecting its traditional customer base—the child—the chain made gigantic leaps into the video game and home computer market, which comprised 18% of 1982's total sales vs. 11% in '81.

One Merrill Lynch analyst predicts that 1983 will be another good year for Toys "R" Us. "Volume will rise 25% to 30%, aided by an overall strengthening of the economy and by an aggressive expansion program," the analyst forecasts.

The chain plans to open 25 stores in 1983, including five stores in the Greater Atlanta market.

Expansion outside the United States will come with a move into Canada and a joint venture in the Middle East with a Kuwait-based company.

Perhaps the biggest news is two off-price children's apparel outlets opening (in Brooklyn, N.Y., and Paramus, N.J.), later this year to test the waters for possible expansion in 1984. ☐

TOYS R US
CHILDREN'S Bargain Town

Year	Sales*	Profits*	Stores
1978	$ 349,099	$17,147	72
1979	480,317	26,775	85
1980	597,332	28,893	101
1981	783,285	48,920	120
1982¹	1,041,735	64,126	144
'78-'82 chg.	+198.4%	+274.0%	+72 (+100.0%)

*000 omitted. Source: *CSA* research.
¹Fiscal year ended Jan. 30, 1983.

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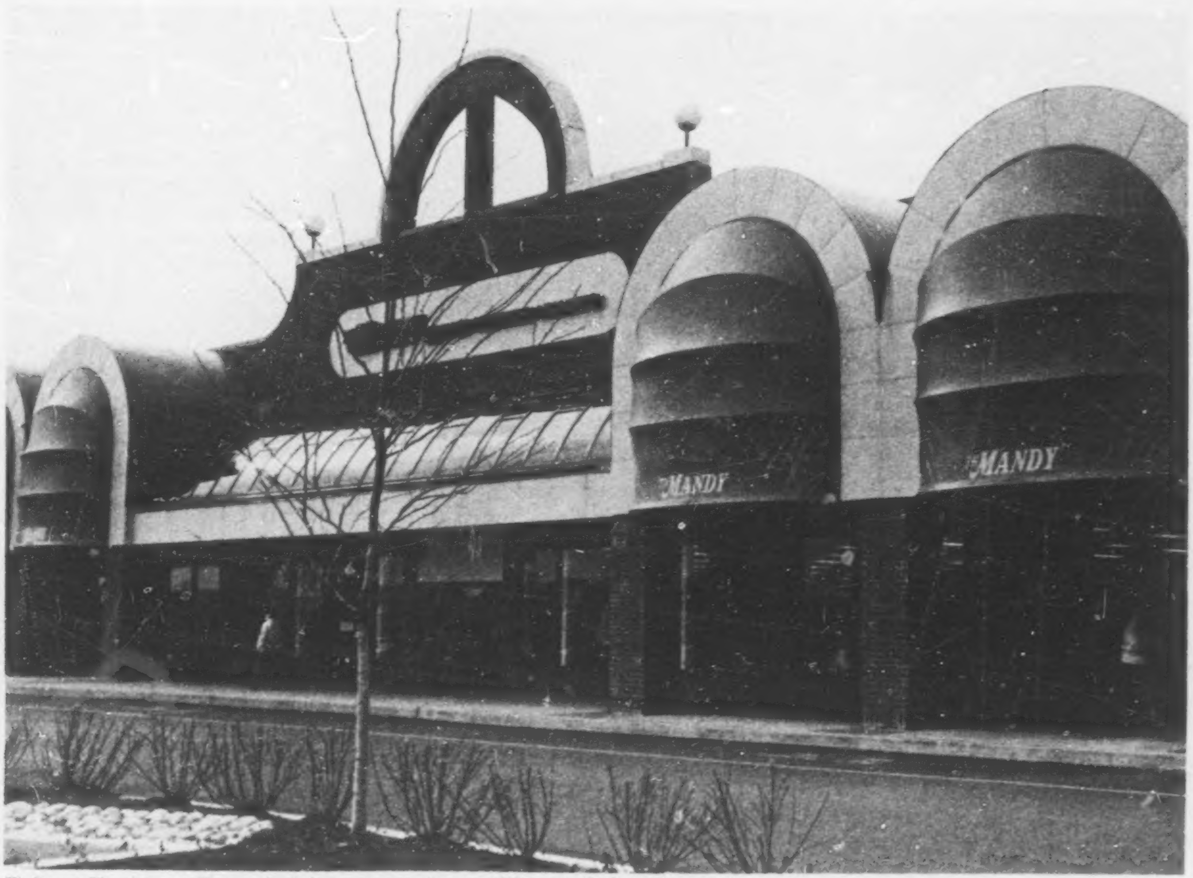

Today, off-price malls are looking more and more like retail shopping centers.

Off-price retailing comes of age in '82

Whether off-pricers can sustain the 35% sales increases of the last five years remains to be seen. One thing's for sure: There's a retail force to be reckoned with.

☐ It was the year of the off-pricer. No matter which merchant you spoke to or listened to last year, off-price entered the discussion.

As Leslie Wexner, pres. of the Columbus-based The Limited, said addressing an analysts' meeting, "A few years ago everyone was talking about nonstore retailing. Now, it's off-price merchandising."

Whether sales will continue at the heady 35% annual increases established over the last five years is another question. One thing is for sure: No one doubts the staying power of off-pricers. Sales in 1985 should reach $14.5 billion, up from 1981's $5 billion.

This dynamic growth has caused many retail powerhouses to take a hard look at off-pricing. Associated Dry Goods looked and bought Loehmann's, Dayton Hudson looked and opened Plums, K mart looked and opened Designer Depot. Not Federated, however. It will open a yet unnamed Mervyn's-type operation, avoiding another off-price division: It already operates Filene's.

These entries have led many industry experts to fear off-pricers are in danger of overexposure and overexpansion. Consider Dayton Hudson's Plums. The recent opening of three Plums in Los Angeles has reportedly created a brouhaha among California department stores and vendors. With grand fanfare, Dayton Hudson advertised Plums, "The Elegant Discounter," giving notice to department stores of its intentions. Naturally, they balked. Sources say the California department stores will counterattack and Plums is reportedly toning down its trade press publicity so as not to antagonize vendors.

Plums, say industry sources, is representative of the off-price store emerging today and foreshadows problems to come. Traditionally, off-pricers have bought for less and sold for less, stocking closeouts and

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Leading off-price retailers

(List does not include Mfr.-owned factory outlets)

1982 Rank	Chain	1981 Sales[1] (000 omitted)	1981 Stores	1982 Sales[1] (000 omitted)	1982 Stores	% Sales Increase
1	**Melville** Marshalls	618,381	108	829,900	137	+34.2
2	**Zayre** Hit or Miss[1] T. J. Maxx[1]	383,791 156,840 206,951	309 245 64	523,617 190,000 340,000	352 265 87	+44.8 +21.1 +64.3
3	Apparel Retail Corp.[1]	303,000	N.A.	338,000	375[1]	+11.6
4	Gateway Stores[1]	270,000	N.A.	301,000	325[1]	+11.5
5	Loehmann's[1]	240,000	53	260,000	61	+ 8.3
6	**Lucky Stores** Pic-A-Dilly/ It's-A-Dilly[1]	118,324	250	165,000	199	+39.4
7	Syms[1]	142,000	11	152,000	11	+ 7.5
8	Burlington Coat Factory	96,321	13	130,517	31	+35.5
9	Filene's Basement[1]	90,000	5	111,840	9	+24.3
10	*J. Brannam	57,000	39	85,000	30	+49.1
11	**U.S. Shoe** T. H. Mandy[1]	49,600	8	77,810	13	+56.9
12	NBO[1]	66,000	12	71,000	12	+ 7.6
13	Cohoes[1]	30,000	1	50,000	2	+66.7
14	Clothes Time[1]	30,000	65	50,000	99	+66.7
15	**Stop & Shop** Off the Rax	31,954	68	35,636	72	+ 4.5
	Totals	2,474,417	929	3,161,319	2,080	+28.7

N.A.—not available

[1] CSA *estimates*

Source: *CSA* research/annual reports/S.E.C. Forms 10k.

overruns. Plums does this and more. The store is buying some merchandise at the same price as department stores and selling it for less. Result: It can be as current as department stores on some goods and has the ability to reorder these goods. Not easy to swallow when you're a department store and have a steep overhead.

There are, of course, stores offering current brand-name merchandise for less, but they're not rubbing against department stores, nor are they offering such upscale fashion merchandise. SCOA's Aston, Pa.'s The Dry Goods division, based in Aston, Pa., for one, offers current goods at 20% off. The operation pays the same prices as department stores but sells the merchandise for less. So does Ashtabula, Ohio-based Carlisle-Allen for most of its goods.

Executives at these stores, however, do not consider their operations off-pricers.

Rather, as The Dry Goods' president Richard Gully says, "We're discount department stores."

What's in a name? Not much in off-pricing, say many industry experts. Today's factory outlet, for example, has changed its identity along the way. Customarily, a store adjacent to the mill, it provided a means for manufacturers to sell their irregulars or overruns. But take Warnaco Outlet Stores or Manhattan's Brand Name Fashion Outlets. Both carry their own brands, in addition to many others. These stores have become a shopping experience where men and women can fulfill many of their apparel needs.

Even off-price legends are changing their policies—somewhat. Consider Loehmann's. True, Loehmann's still specializes in closeouts, excess apparel and samples from manufacturers, as well as department store stocks. But Loehmann's today is also filling its racks with private-label merchandise made for the Bronx, N.Y.-based chain. By doing so, it is establishing continuity of merchandise.

High-volume Marshalls is also changing. New stores in Denver, Colo., sport a new look. "These units represent a radical departure," says Michael Gade, exec vp of Columbus, Ohio-based The Doody Co., retail design consultants. "They no longer have piperacks." What's more, the mix in some Marshalls has been expanded to include jewelry.

In short, off-pricers are becoming legitimate retailers. Today, the successful ones are taking a focused approach, honing in on a consumer segment. They've streamlined systems—all know what has sold the past week by Monday of the following week. Many are looking as good as specialty stores. Furthermore, quite a few are offering consumers a full selection.

Says long-time champion of the off-pricer, Iris Ellis, author of *Save On Shopping* directory, "Many of these stores are beginning to blend into the retail landscape."

Whether department stores let them get settled is another question.

On the following pages, *CSA* highlights six off-pricers, representing some of the different merchandising tacks taken by this group. ☐

Plums aims for elegant approach

☐ In the scramble to find a foothold in off-price retailing, no stone has been left unturned. Dayton Hudson's Plums operation, however, is going after the better and designer market with a format that is unique—at least for now.

Other off-pricers also aim at this upscale customer—Loehmann's for one. But Loehmann's, which has already established its presence with 61 stores in 25 states, remains a traditional piperack, no-label operation. It also ignores the updated male customer.

Plums is creating its own niche in this upscale market with a store design aimed at making the department and specialty store shopper feel right at home. Merchandise—mostly better men's and women's

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tail stocks," explains Elliot Jaffe, president. Moreover, the founder of the 68-store women's wear chain says, with the stock sale, Dress Barn will be able to expand more rapidly and acquire other companies.

By the end of this fiscal year, July 30, 1983, Dress Barn will have opened 19 stores. In the past five years, it has aggressively added 43 units, resulting in 1982 sales of $33,474,000, up 13.5% on '81. It's no wonder Jaffe claims off-price is a concept whose time has come.

"Women are not willing to pay full price for apparel anymore," he declares. Furthermore, he says apparel is no longer as trendy as it once was. The combination, Jaffe maintains, has made off-price shopping chic. "Women who can afford to shop at department stores pride themselves today on buying discount apparel."

Dress Barn caters to career women earning $20,000 to $35,000 per year. At the units, which span the East Coast from the Carolinas to Maine, they'll find career and casual clothes. The moderate-to-better priced mix is heavily laced with brands such as John Henry and Villager. About 10% to 15% of the merchandise is private label, Jaffe says.

Merchandise is discounted 20% to 50%. During the summer, shoppers can choose dresses that run from $20 for a sundress to about $69.99 for a dress with jacket. Slacks range from $15 to $34.

Because more women are shopping off-pricers, Jaffe insists store decor is a key to selling this apparel. "We believe in presentation. We want our customer to feel she's in a specialty store." As a result, Dress Barns include upscale fixtures, carpeting and signage.

Like specialty stores, assortments in the 4,000-sq.-ft. to 5,000-sq.-ft. Dress Barns are complete. "Our shopper does not have to hunt and pick for bargains as she does in other off-pricers," says Jaffe. "We carry a full selection of sizes and colors. We also reorder merchandise."

Jaffe is able to do this because he has established vendor loyalties over the past 20 years. "They like doing business with us. Unlike department stores, we don't demand markdown money nor advertising support."

Jaffe has a staff of eight buyers in the market. Four cover sportswear; one buys dresses; one, coats; another, suits, and still another, accessories.

But covering the market, Jaffe says, is not enough. Consumers must be satisfied. To accomplish this, Jaffe stresses store service. To him that's a necessary ingredient—just as important as the merchandise that's featured. Encouraging salespeople means knowing them on a first name basis, throwing parties and running contests.

After all, he says, "Service is one of the reasons why shoppers come to us. They can no longer get it at department stores." ☐

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Women's specialists need fashion look

☐ Women's specialty store chains were buffeted by a tough retail climate last year, indicating a shakeout may be in the works for 1983. Men's wear chains fared better, pointing out many are on the right merchandising path.

"Women pulled back on buying last year" was the reason cited by most specialists for poor sales and earnings. Many also blame the paltry results on the lack of fashion direction. "We need another mini," says one executive from a Midwest-based operation. But more than that, he calls for "fashion looks, not just items."

Sales increases for the women's wear chains, on the most part, didn't keep pace with '81.

Compounding the lack of fashion direction last year was the lean inventory position taken by most specialists. Consumers were not spurred to buy as a result of pared-down assortments. As one New York-based president admitted, "We should have worked more with manufacturers to develop a fashion direction."

As a means to combat hard times and stiff competition, some specialists undertook new courses in 1982. The Limited, for one, set its sails on diversification, acquiring ventures such as Lane Bryant and Victoria's Secret that complement its women's wear base. U.S. Shoe Co., for another, also sensing overpenetration of the women's wear market, is focusing more heavily on off-price divisions such as T. H. Mandy and Outletters to increase sales. U.S. Shoe's off-pricers are being expanded by 800,000 sq. ft. this year, double the amount of space allocated last year.

For many women's wear specialists, the problems of 1982 centered around merchandising.

For some chains, this is the "do or die" year. Word is out that Susie's Casuals, Woolworth's women's wear chain, which is not even mentioned in Woolworth's annual report, has to produce or else it will be abandoned—either turned into a footwear chain or sold.

For other women's wear chains, the problems of 1982 centered around merchandising. As the chairman and ceo of Melville, Francis Rooney, put it, "Foxmoor offered lousy merchandise." Results: Profits fell as they did for Edison Brothers' Fashion Conspiracy. Because profits were lower than expected and lower than last year, Fashion Conspiracy increased its expense ratios and took heavy markdowns.

Even powerful Lerner's, now regarded as the nation's No. 2 specialty store by industry experts due to The Limited's acquisitions, suffered profit losses. Operating income plummeted 18.9%, down from 1981's $90.5 million to $73.4 million. This decline came on top of meager gains in 1981.

Leading apparel specialty chains

1982 Rank	Company/Headquarter Location	1981 Sales (000 omitted)	1981 Stores	1982 Sales (000 omitted)	1982 Stores	% Sales change
1	The Limited[4]	364,900	758	721,394	825	+ 97.7
	*Lane Bryant[1,2,5]	375,160	270	300,000	222	− 20.0
	*Limited[1]	362,180	476	406,204	567	+ 12.2
	*Limited Express[1]	2,720	8	8,000	30	+194.1
	*Victoria's Secret[1,2]	5,000	4	7,190	6	+ 43.8
2	Lerner Shops	717,000	767	682,000	790	− 4.9
3	Petrie	529,800	791	566,682	871	+ 7.0
	*Petrie's[1]	52,502	71	55,386	70	+ 5.5
	*Stuart's[1]	227,413	330	244,079	332	+ 7.3
	*Marianne[1]	169,615	204	178,761	198	+ 5.4
	*Davids[1]	22,967	71	14,116	28	− 38.5
	*G&G[1]	23,303	68	24,002	68	+ 3.0
	*Franklin's[1]	34,000	88	33,752	82	− 0.7
	*Hartfield[1,2]	—	—	10,879	61	—
	*Ranch[1,2]	—	—	5,707	32	—
4	U.S. Shoe Corp.	457,700	850	583,235	933	+ 27.4
	*Casual Corner[1]	290,500	463	360,658	516	+ 24.2
	*August Max[1]	7,300	26	8,149	28	+ 11.6
	*J. Riggings[1]	82,600	164	98,735	184	+ 19.5
	*Proving Ground[1]	6,100	56	6,613	51	+ 8.4
	*Antics/Ups 'n Downs[1]	17,400	124	19,781	117	+ 13.7
	*Caren Charles[1]	4,200	9	8,489	22	+102.1
	*Outletters[1,3]	—	—	3,000	4	—
	*T. H. Mandy[1]	49,600	8	77,810	13	+ 56.9
5	Hartmarx Retail	442,000	310	456,000	274	+ 3.2
	*Wallachs[1]	41,000	26	48,128	29	+ 17.4
	*Hastings[1]	21,000	14	22,575	14	+ 7.5
	*Chas. A. Stevens[1]	43,000	27	46,704	28	+ 8.6
	*All others[1]	337,000	243	338,593	203	+ 0.5
6	The Gap	417,385	522	444,929	545	+ 6.6
7	Melville	333,721	1,059	331,701	1,104	− 0.6
	*Foxmoor	196,097	588	179,230	616	− 8.6
	*Chess King	137,624	471	152,471	488	+ 10.8
8	Woolworth	258,700	634	272,600	626	+ 5.4
	*Richman Bros./ Anderson Little	186,000	336	198,000	330	+ 6.5
	*Susie's Casuals[1]	72,700	298	74,600	296	+ 2.6
9	Allied Stores Corp.[6]	203,000	73	229,000	79	+ 12.8
	*Brooks Bros.[1]	160,000	28	180,000	34	+ 12.5
	*Plymouth[1]	43,000	45	49,000	45	+ 14.0
10	Miller Wohl/Jean Nicole	220,952	307	222,375	310	+ 0.6
11	Edison Brothers	210,000	838	217,980	863	+ 3.8
	*Fashion Conspiracy[1]	80,000	275	80,000	280	N/C
	*Jeans West/Oak Tree[1]	70,000	357	75,700	370	+ 8.1
	*Size 5-7-9[1]	60,000	206	66,100	213	+ 10.2
12	Brooks Fashions	179,146	453	211,540	500	+ 18.1
13	Super Valu-County Seat	178,800	242	192,000	255	+ 7.4
14	Charming Shoppes	143,871	258	174,272	298	+ 21.1
15	W. R. Grace Co.	120,000	75	134,000	88	+ 11.7
	*Bermans[1]	18,186	65	21,900	78	+ 20.6
	*Sheplers[1]	101,834	10	109,981	10	+ 8.0
16	Philips Van Heusen	112,397	65	101,382	59	− 9.8
	*Hamburger's/ Kennedy's[1]	34,038	24	34,300	21	+ 0.8
	*Harris & Frank[1]	42,189	26	41,743	23	− 1.1
	*Others[1]	36,170	15	25,339	15	− 29.9
17	Paul Harris	86,339	172	90,386	172	+ 4.7
18	National Shirt Shops	66,636	236	63,011	228	− 5.4
19	Merry-Go-Round	65,753	185	75,507	194	+ 14.8
20	Contempo Casuals	43,000	51	54,000	66	+ 25.6
21	Worth Stores[1]	40,000	91	44,200	97	+ 10.5
22	Frederick's of Hollywood	39,300	128	41,552	140	+ 5.7
23	Cluett, Peabody & Co.[7]	35,619	37	37,887	30	+ 6.4
	*Boyd's[1]	8,619	8	11,187	8	+ 29.8
	*Cluett Outlet Stores[1]	27,000	29	26,700	22	− 1.1
24	Topps & Trowsers	17,870	80	18,748	73	+ 4.9
	Total	5,283,889	8,982	5,966,381	9,422	+ 12.9

[1] CSA estimates. [2] Acquired in 1982. [3] Opened in 1982. [4] 1981 total excludes sales from Lane Bryant and Victoria's Secret, acquired in 1982. [5] 1981 total includes sales from Roaman's, merged with Lane Bryant in 1982. [6] Excludes Ann Taylor, Catherine Stout Shoppes and Bonwit Teller. [7] Excludes sales of Lytton's, The Metropolitan and Young-Quinlen, sold. N.C. = no change.

Source: CSA research/annual reports/S.E.C. Forms 10K.

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Sales increases for women's wear chains on the most part did not keep pace with 1981, revealing independents will be more and more at the mercy of large companies. "The big will get bigger," is the way a spokesman for a Midwest-based chain put it.

Nonetheless, the survivors are expected to do well in 1983 as expenses have been slashed in the last years and inventories are well managed. This should mean, say retail analysts, as consumers start spending increased sales will drop down to the bottom line as profits.

Men's wear chains were generally in a far better position in '82 than women's specialists.

On track: Men's wear specialists were generally in a far better position in 1982 than women's wear operators. Many industry experts maintain men's wear stores are in a similar position to the high-flying women's wear stores of the 70's, as a result of having carved out niches and targeting consumers. U.S. Shoe's J. Riggings, Melville's Chess King and Edison Bros.' Jeans West/Oak Tree divisions all came through the year with increased sales and profits.

Manufacturer-owned men's wear retail shops, however, were not sitting as pretty. For Hartmarx, the profit level of men's stores was slightly below 1981. Cluett, Peabody, for another, dropped many of its men's wear stores in 1982.

Last year, the jeans wear chains experienced hard times due to the economic climate. Despite having branched out from jeans with additional merchandise, The Gap posted a modest sales increase, while County Seat also registered a lackluster sales gain.

New offerings at women's chains, however, helped some boost sales and pave the way for increases in the 80's. U.S. Shoe's Casual Corner, for example, began stocking petites with the result that a new customer base is shaping up. ☐

Soft Lines: Back to basics

Jil Curry
Senior editor

☐ The three P's of retailing—presentation, private labels, pricing—are becoming more important as department stores combat off-pricers and other stores.

Obviously how merchandise is presented can make or break a sale. I'm not speaking in terms of creating an atmosphere as Macy's seems to do monthly, but rather where and how merchandise is presented. Take the case of Chicago's Marshall Field's and New York's Bloomingdale's.

On a recent trip to Chicago, I visited a number of department stores. Similar to New York retailers, stores in the Windy City have been "Japanesed."

As a result, it was not surprising to find both Marshall Field's and Bloomingdale's stocking an all-cotton striped jacket with a slight flare from O'Tokyo. Both carried identical retails of $40. But their presentations were as far apart as night and day.

Bloomingdale's in New York put the lightweight button-down jacket in its Young Eastsider Shop (Y.E.S.) mixed with other Japanese merchandise, while Field's had placed it in its young junior department, isolated from other Japanese goods. By May, Bloomingdale's had sold out of the jacket, whereas at Field's, all sizes were still available.

While Field's may have bought more than Bloomie's, the store targeted a different age group for the jacket. The multicolored striped jacket, on first glance, may have warranted placement with young girls. But when tried on, it had adult appeal.

On that same trip to Chicago, I also went to T. H. Mandy, U.S. Shoe's off-price division that has garnered a great deal of attention due to its upscale decor, service and selection. I visited the operation to see if salesgirls were still as friendly (they were) and to see if Mandy was still obtaining brands (they were).

But on this visit I was struck by the number of not-so-well-known brands and private-label goods. While I could not differentiate between lesser known brands and private labels, this group seems to make up a sizable portion of the mix. Located amid Arthur Chapnik, Villager, Kasper for Joan Leslie and Paula Saker were not-so-well-known names Domino, Puncher, Andre Bini, Tumbleweed, Nitya and Jeremy Denholm.

At Chicago's downtown Mandy, consumers were equally drawn to the less-known labels as to the nationally known ones, underscoring the fact that perceived quality is what counts.

As the president of a discount Southern-based department store chain said to me while I was doing research, it's no longer what brands the off-price store carries but the quality of the merchandise.

As a result, off-pricers are able to offer well-rounded assortments thanks to private labels and less well-known brands. National brands add credibility, but day-in/day-out continuity is gained by offering quality lesser-known labels and private labels. This was the case at Mandy.

The brands assured customers they were receiving good value for their money. Whether they elected to buy one did not matter. Shoppers had no doubts that whatever they selected would be an investment purchase. ☐

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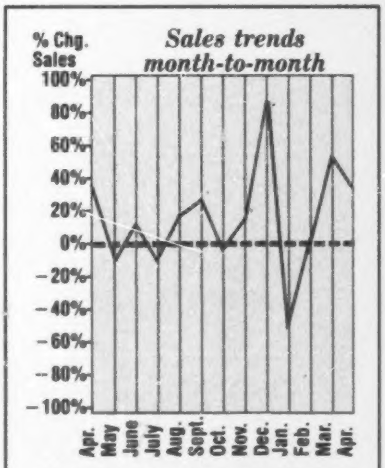
April sales suffer after robust March

In March, retail observers credited an early Easter shopping season and mild weather for robust consumer spending. But in April, total retail sales slumped, resulting in a moderate 7.1% increase over the same period in 1982. The reasons, merchants say: No Easter and a nationwide potpourri of unsettled weather.



Composite of sales trends (increases or decreases) from month to month for the 19 retail companies tracked by *CSA*.

Early Easter rains on April's parade

		APRIL SALES*		STORES		3-MO. SALES*		
MAJOR CHAINS	% change	1983	1982	1983	1982	1983	1982	% change
SEARS[1]	+ 7.7	1,557,691	1,446,366	826	850	4,685,208	4,420,220	+ 6.0
PENNEY	− 1.3	678,000	687,000	2,044	2,074	2,118,000	2,080,000	+ 1.8
WARD[1]	+ 0.8	409,713	406,633	381	389	1,197,239	1,177,085	+ 1.7
FEDERATED[5]	+ 9.9	595,800	541,900	N/A	N/A	1,840,900	1,620,000	+ 13.6
DAYTON HUDSON	+ 15.7	426,022	368,086	1,027	889	1,331,744	1,092,549	+ 21.9
MAY DEPT. STORES	+ 11.1	277,400	249,700	1,491	1,289	846,800	734,400	+ 15.3
CARTER HAWLEY HALE	+ 16.3	241,900	208,000	1,038	967	723,600	639,300	+ 13.2
ASSOCIATED DRY GOODS	+ 1.9	224,600	220,400	248	245	687,800	636,800	+ 8.0
MERCANTILE	+ 14.4	117,875	103,026	85	84	317,524	275,467	+ 15.3
K MART	+ 5.5	1,392,010	1,319,199	2,384	2,387	3,932,987	3,600,700	+ 9.2
WOOLWORTH	− 1.7	382,653	389,275	N/A	N/A	1,127,952	1,092,671	+ 3.2
HOUSEHOLD MERCH.[2,3,5]	− 7.4	218,824	236,314	3,765	3,825	635,612	659,054	− 3.6
WAL-MART	+ 32.1	325,000	246,000	563	500	854,000	665,000	+ 28.4
T.G. & Y.	− 6.8	157,855	169,349	889	930	443,614	452,673	− 2.0
ZAYRE[4]	+ 12.4	174,534	155,250	658	595	518,738	431,134	+ 20.3
BRADLEES	+ 23.6	64,500	52,200	112	91	193,600	150,100	+ 29.0
MURPHY	− 5.0	62,489	65,773	417	436	188,594	195,520	− 3.5
ROSE'S	+ 10.6	56,514	51,112	237	234	157,192	138,254	+ 13.7
MELVILLE	+ 5.8	249,495	235,913	5,525	5,286	991,136	850,921	+ 16.5
TANDY	+ 22.0	196,203	160,759	N/A	N/A	585,421	470,908	+ 24.3
EDISON BROS.	+ 6.3	82,713	77,805	2,169	2,114	271,785	256,274	+ 6.1
TOTALS & AVERAGES	+ 7.1	7,733,936	7,220,711			23,205,832	21,186,357	+ 9.5

**000 omitted. N.C. = no change. N/A = not available.*

[1] Store number for full-line outlets only. [2] Includes 2,828 franchise stores (vs. 2,848 a year ago). [3] Includes T.G. & Y. sales. [4] Includes 265 Zayre stores (vs. 263 a year ago), 300 Hit or Miss stores (vs. 263) and 93 T. J. Maxx stores (vs. 69). [5] Excludes supermarket sales.

Sales for the 20 chains tracked by *CSA* were $7.7 billion in April compared with $9.1 billion in March. Retailers, however, contend both months should be viewed as a single shopping season in light of the Easter holiday shift.

K mart, for example, logged a 5.5% sales increase in April but only a 9.5% increase for the two-month period. Comparable stores tracked by *CSA* were up 10.1% for both months.

Nevertheless, there were some bright spots in April—particularly in durables. Sears and Montgomery Ward reported continued sales strength in big-ticket items.

Sears' 7.7% sales hike, in fact, was the chain's largest percentage increase since September 1981, said Edward R. Telling, chairman/ceo. Telling added that durable sales "were strong for the seventh consecutive month" led by microwave ovens, refrigerators, washing machines and dryers.

Other chains didn't fare as well.

J. C. Penney's sales were down 1.3%—a direct result of the Easter shopping season shift—while Montgomery Ward's sales were up a slim 0.8%.

More surprising was the poor performance of upscale discounters Caldor and Venture. Caldor sales inched up a slim 0.7% while the chain's same-store sales tumbled about 5%. A Caldor spokesman blamed the discounter's April woes on a "much less promotional emphasis this year" and the elimination of a major advertising flyer. Venture, meanwhile, was up 5.7%, but the May Company's discount division's same-store results increased by only 0.7%.

In comparison, Bentonville, Ark.-based Wal-Mart's same-store sales were up 14% and 13%.

Penney agrees to buy Delaware bank

J. C. Penney followed the lead of Big 3 rival Sears when it announced in April an agreement to purchase the First National Bank of Harrington in Delaware. The bank has assets of $28 million and provides a wide range of financial services, said a Penney spokesman.

"We have been studying the feasibility of acquiring a bank for over a year," Thomas J. Lyons, Penney exec vp, said in a prepared text. "The acquisition will give us the flexibility to add banking products and services to complement financial services currently offered."

Penney operates finance centers in five of its California stores. The centers offer financial services which range from personal checking accounts to automobile and recreational vehicle loans.

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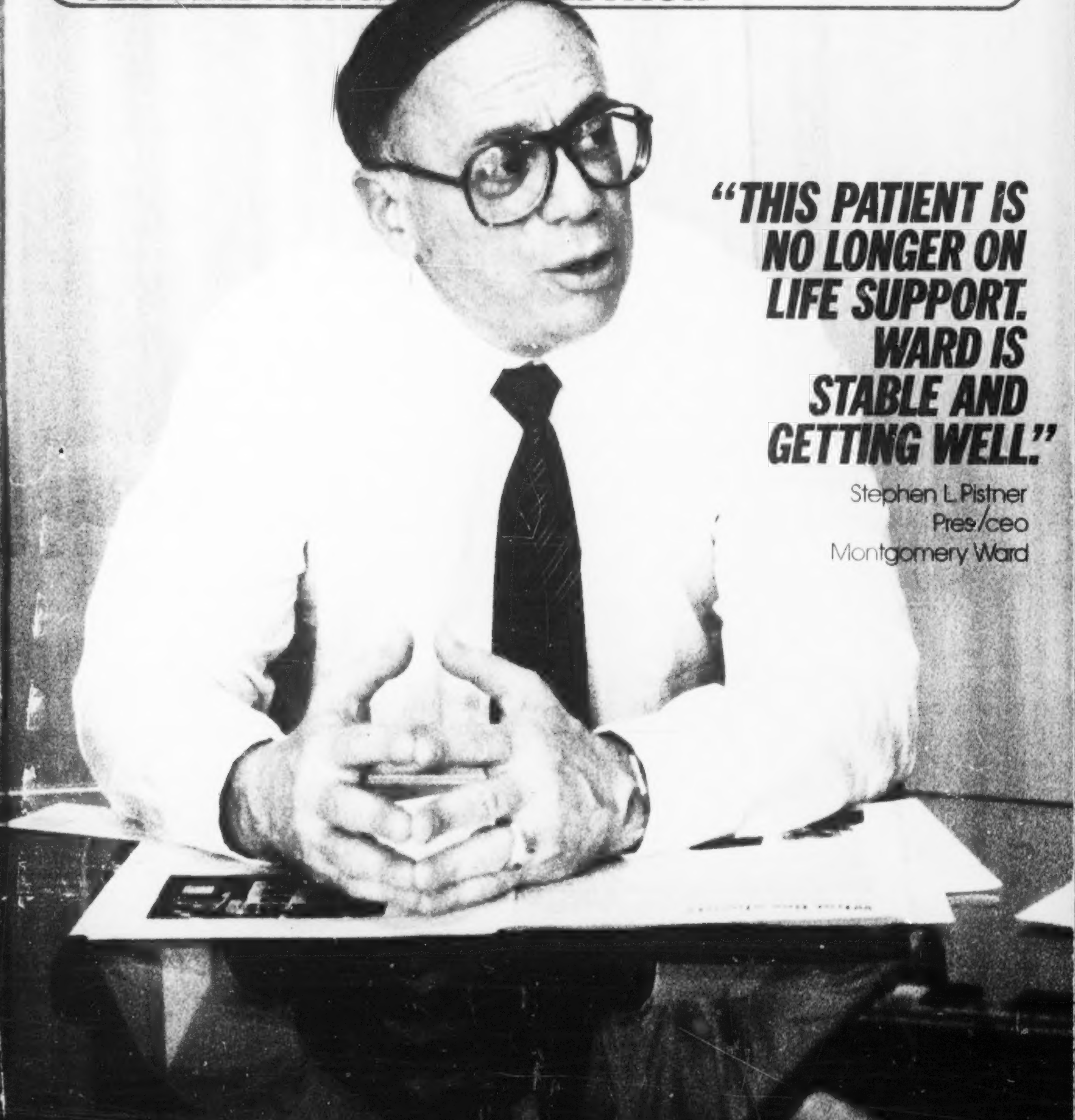
Marketpower: Top 20 departments

Housewares: Four retail strategies

Chain Store Age

GENERAL MERCHANDISE EDITION July 1983



"THIS PATIENT IS NO LONGER ON LIFE SUPPORT. WARD IS STABLE AND GETTING WELL."

Stephen L. Pistner
Pres/ceo
Montgomery Ward

IN THIS ISSUE

Ward's new posture

A lean and more aggressive posture is the message Montgomery Ward is now sending out into the marketplace. The new and streamlined Ward, long maligned as a trend trailer, is now acting, rather than just reacting 33

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Top 20 departments hit $420 billion

General merchandise sales increased 7.6% in 1982 over 1981, with consumer electronics, toys and lawn and garden goods raising their sales bases by more than 20% each. Total sales reached nearly $420 billion.

Consumer electronics rode the crest of computer and video game sales along with Middle America acceptance of personal portable stereos with headphones. In addition, big volume was done in video discs and video tape recorders.

Toys benefited from the strong licensing craze, the preschool area and dolls. Lawn and garden experienced growth from chemical sales, electronic bug killers and from patio furniture.

Housewares, which a year ago had been a sales leader, dropped off in popularity. Indeed, the increases failed to even match the 8.2% inflation rate in housewares merchandise as recorded by the Bureau of Labor Statistics.

Hosiery accessories and domestics paced all soft goods departments. Legwarmers helped kick up hosiery sales while accessories relied on mass merchants to pump out volume. Domestics continued to ride the fashion trend as stores in all tiers upgraded assortments. ☐

Consumer electronics rode the crest of computer and video game sales.

Hot hard lines expand space

"When you're hot, you're hot, and when you're not, you're not." Retailing has a different lyric to the song. It goes, "When you're hot you grow, and when you're not you go."

The lyric applies to departmental space allocations, and consumer electronics and automotives proved the lyric true last year. Galvanized by video games and home computers, and a resurgence in TV and stereo sales, consumer electronics departments spread out over larger turfs in discount and department stores, as well as inside Sears, Penney and Montgomery Ward.

The gains came on top of hefty acreage increases the previous year, a sure sign that merchants have been able to stake out profitable claims in the $24 billion electronics market. Department stores have been most aggressive, over the last two years having increased space

Top 20 departments

Rank	Department	1981 sales*	1982 sales*	% change
1	Automotives	$ 68,700,000,000	$ 72,100,000,000	+ 4.9
2	Hardware/home improvement	55,200,000,000	57,800,000,000	+ 4.7
3	Women's wear	40,000,000,000	42,300,000,000	+ 5.8
4	Nonelectric housewares	25,600,000,000	26,200,000,000	+ 2.3
5	Consumer electronics	20,000,000,000	24,500,000,000	+22.5
6	Lawn & garden	18,400,000,000	23,600,000,000	+28.3
7	Stationery	19,800,000,000	23,000,000,000	+16.2
8	Men's wear	19,800,000,000	20,500,000,000	+ 3.5
9	Footwear	19,300,000,000	19,700,000,000	+ 2.1
10	Cosmetics/H&BA	15,000,000,000	16,000,000,000	+ 6.7
11	Domestics	13,600,000,000	14,800,000,000	+ 8.8
12	Children's wear	14,200,000,000	14,500,000,000	+ 2.1
13	Electric housewares	13,200,000,000	14,000,000,000	+ 6.1
14	Sporting goods	12,800,000,000	13,000,000,000	+ 1.6
15	Photo/camera	9,000,000,000	9,800,000,000	+ 8.8
16	Toys	7,000,000,000	9,000,000,000	+28.6
17	Accessories	7,400,000,000	7,950,000,000	+ 7.4
18	Hosiery	4,000,000,000	4,400,000,000	+10.0
19	Sewing	3,900,000,000	4,000,000,000	+2.6
20	Hobby/crafts	3,500,000,000	3,100,000,000	−11.4
	Totals	$389,800,000,000	$419,550,000,000	+ 7.6

*Total industry sales including specialists, drug stores and supermarkets.

Source: *CSA* research.

by first 25% and then 20%. There seems to be little doubt that, at least in CE, department stores will not reduce their commitment, thereby ceding the business to discounters, as many did years ago with major appliances and several other hard lines.

Meanwhile, automotives, which is hoping for a turnaround this year, lost ground in discount stores and the Big 3. Penney's decision to abandon the category hurt the Big 3's overall square footage. But the do-it-yourself aftermarket remained soft in '82 and even discounters pulled back on space allocations.

Sporting goods benefited from the physical fitness craze. Exercise equipment takes up sizable space, but retailers showed a willingness to back the category. All classes of trade, from variety stores through department stores upped their sporting goods square footages.

Giftware/novelties, an offshoot of housewares, also increased space in most stores, particularly in discount stores where brass and glass pieces picked up shelf space.

Overall, hard lines expanded in variety stores, discounters and department stores, Penney's retreat from many hard lines produced the 1.8% falloff in Big 3 square footage.

The additional hard lines space in most stores is particularly noteworthy in variety and discount stores because as a complete store the average selling area shrunk. Thus the hard lines studied commanded an even greater weighted emphasis at store level. ☐

ACMA methodology

☐ CSA *editors tracked some three million sq. ft. of new store net selling space in 1982 to prepare the Annual Census of Merchandise Allocations (ACMA). Editors zeroed in on 13 hard lines and 16 soft lines departments.*

Among the stores analyzed were Sears, J. C. Penney, K mart, Burdine's, Wal-Mart, Bradlees, Target and Hecht Company.

In addition, surveys from retailers, who opened more than 160 stores combined, contributed to the merchandise space allocation analysis. ☐

Sporting goods, consumer electronics lead hard lines expansion

	Variety stores			Discount stores			Sears, Penney, Ward			Department stores		
	'81	'82	% Chg.	'81	'82	% Chg.	'81	'82	% Chg.	'81	'82	% Chg.
Avg. store gross sq. ft.	13,270	13,000	−2.0	83,740	81,580	− 2.6	141,500	136,750	− 3.4	138,200	140,400	+ 1.6
Avg. store net selling sq. ft.	11,245	11,020	−2.0	70,342	70,158	− 0.3	77,825	75,213	− 3.4	114,706	116,532	+ 1.6
13 hard lines departments (% net selling area)	45.2	46.4	+2.7	40.8	41.6	+ 2.0	44.9	45.7	− 1.8	26.4	26.9	+ 1.9
Appliances	N/A	N/A	N/A	N/A	N/A	N/A	3.7	3.0	−18.9	1.8	1.7	− 5.6
Automotives (excluding service bags)	N/A	N/A	N/A	2.7	2.5	− 7.4	2.7	2.0	−25.9	N/A	N/A	N/A
Photo/camera	0.1	0.1	N/C	0.2	0.2	N/C	0.6	0.6	N/C	0.2	0.2	N/C
Consumer electronics	0.1	0.1	N/C	3.3	3.6	+ 9.1	2.8	3.0	+ 7.1	1.0	1.2	+20.0
Giftware/novelties	3.2	3.2	N/C	1.1	1.4	+27.2	2.4	2.6	+ 8.3	1.5	1.6	+ 6.7
H&BA (inc. cosmetics)	7.3	7.5	+2.7	3.6	3.6	N/C	1.3	1.3	N/C	3.4	3.4	N/C
Home furnishing (inc. furniture & floor coverings)	5.1	5.1	N/C	3.7	3.9	+ 5.4	13.3	14.0	+ 5.3	8.2	8.2	N/C
Hardware	4.4	4.4	N/C	5.0	5.0	N/C	6.6	6.2	− 6.1	N/A	N/A	N/A
Housewares	6.1	6.3	+3.3	5.7	5.8	+ 1.8	2.6	2.8	+ 7.7	6.3	6.4	+ 1.6
Lawn/Garden	N/A	N/A	N/A	3.3	3.3	N/C	2.6	2.6	N/C	N/A	N/A	N/A
Sporting Goods (inc. apparel	N/A	0.1	—	4.4	4.6	+ 4.5	3.9	4.1	+ 5.1	1.9	2.1	+10.5
Stationery	9.0	9.6	+6.7	2.5	2.5	N/C	1.4	1.4	N/C	1.8	1.8	N/C
Toys	9.9	10.0	+1.0	5.3	5.2	− 1.9	2.1	2.1	N/C	0.3	0.3	N/C

Source: *CSA* research. *N/C = no charge.* *N/A = not available.*

Little gain posted in soft lines' space

As befitting a difficult year, executives at general merchandise chains did little to alter existing soft lines space, indicate the results of *CSA*'s 1982 space allocation study. Realizing it would be tough to boost sales, merchants generally decided to sit back and wait until this year or next to make any substantial space revisions.

Like the year before, retailers concentrated on increasing productivity from actual space rather than grasping for additional real estate. As a result, soft lines gains were meager, ranging from 1.1% gain for discounters to 3.4% for catalog chains.

Since 1982 was the year that Sears, Penney and Ward tested new store formats, it comes as no surprise that the Big 3 racked up the largest space gains. Nonetheless, as a group they are still trailing discounters in the ratio of soft to hard lines: 45.6% to 47.5%. Department stores, of course, lead the pack in soft lines space, with 68% of the mix

Hosiery, large size and sportswear biggest space winners

	Variety stores			Discount stores			Sears, Penney, Ward			Department stores		
	'81	'82	% Chg.	'81	'82	% Chg.	'81	'82	% Chg.	'81	'82	% Chg.
Avg. store gross sq. ft. Avg. net selling sq. ft. 16 soft lines departments (% net selling area)	13,270 11,245 45.4	13,000 11,020 46.1	−2.0 −2.0 + 1.5	83,740 70,342 47.0	81,580 70,158 47.5	− 2.6 − 0.3 + 1.1	141,500 77,825 44.1	136,750 75,213 45.6	− 3.4 − 3.4 + 3.4	138,200 114,706 66.0	140,400 116,532 68.0	+ 1.6 + 1.6 + 3.0
Boys' wear	1.7	1.8	+ 5.9	3.4	3.5	+ 2.9	2.3	2.5	+ 8.7	2.0	2.1	+ 5.0
Curtains/draperies	2.1	2.1	N/C	2.0	2.0	N/C	3.4	3.5	+ 2.9	2.0	2.0	N/C
Domestics	5.9	6.0	+ 1.7	4.8	4.9	+ 2.1	4.2	4.4	+ 4.8	6.7	6.8	+ 1.5
Fabrics/sewing notions	5.7	5.8	+ 1.8	1.8	1.5	−16.7	1.1	0.5	−54.5	0.7	0.6	−14.3
Girls' wear	0.8	0.9	+12.5	3.6	3.7	+ 2.8	1.9	2.1	+10.5	2.7	2.7	N/C
Hosiery	4.2	4.3	+ 2.4	1.0	1.1	+10.0	0.8	0.9	+12.5	0.9	1.0	+11.1
Infants' wear	4.1	4.2	+ 2.4	4.7	4.7	N/C	3.6	3.7	+ 2.8	1.4	1.4	N/C
Intimate apparel	4.7	4.7	N/C	2.8	2.8	N/C	3.2	3.2	N/C	5.5	5.6	+ 1.8
Junior dresses	N/A	N/A	N/A	1.4	1.3	− 7.1	2.2	2.3	+ 4.5	3.0	3.0	N/C
Junior sportswear	N/A	N/A	N/A	6.3	6.4	+ 1.6	2.7	2.9	+ 7.4	4.5	4.6	+ 2.2
Large-size apparel	N/A	N/A	N/A	1.6	1.7	+ 6.2	1.4	1.5	+ 7.1	1.3	1.4	+ 7.7
Men's furnishings	N/A	N/A	N/A	1.0	1.1	+10.0	2.3	2.4	+ 4.3	3.4	3.4	N/C
Men's wear	3.6	3.6	N/C	6.3	6.4	+ 1.6	5.3	5.5	+ 3.8	11.4	11.7	+ 2.6
Misses' dresses	0.3	0.3	N/C	1.7	1.6	− 5.9	2.3	2.4	+ 4.3	4.0	4.0	N/C
Misses' sportswear	8.3	8.3	N/C	3.1	3.2	+ 3.2	3.9	4.2	+ 7.7	13.5	13.7	+ 1.5
Women's accessories	4.0	4.1	+ 2.5	1.5	1.6	+ 6.7	3.5	3.6	+ 2.9	3.9	4.0	+ 2.6

Source: *CSA* research. *N/C = no change.* *N/A = not available.*

devoted to apparel and soft home furnishings. This represents a 2% gain posted over 1981.

Also reflecting the changes taking place at Sears, Penney and Ward is the space loss of fabrics/sewing notions departments. Following the trend of department stores, space was trimmed 54.5%, so that the Big 3 allocated less space than department stores to notions 0.5% vs. 0.6%, respectively.

Variety stores did an about-face this year, however. This group actually increased the amount of space slotted to sewing departments. After suffering a 5% loss in 1981, the department gained 1.8% in 1982, indicating there is still a small hard-core customer group interested in making their clothes or home furnishings.

The big space gainers across the board in 1982 were hosiery departments. Space advanced at all retail tiers, with the largest hike scored by Sears, Penney and Ward. Buyers attribute increased space naturally to increased sales, spurred by continued consumer attention to legs. Along with more space have come kickier displays.

Other departments that did well last year should come as no shock.

Discounters increased men's wear by 10%, revealing the group is targeting this category for growth. Bradlees, for one, has seen explosive sales in men's wear with the result that the Braintree, Mass.-based mass merchant now stocks suits.

Large size women's wear departments were also the beneficiaries of additional space. With more manufacturers offering better merchandise, all retailers expect sales to blossom in this category. ☐

Chains split over private label future

Retailers at many of the nation's largest chains are reconsidering their approach to private label merchandise. Some, like Montgomery Ward, are turning from a broad stroke to line and item identification for private label emphasis, while others, like J.C. Penney, are aggressively developing house brands.

But while no retailer says he is dropping completely out of the private label business, it appears the developing trend is to take a highly sophisticated approach of making private labels work for the chains. "Where we have a strong franchise," says Marvin Stern, vp/hard lines at Montgomery Ward, "obviously, we're going to keep our own brands. But where we haven't shown a significant increase in market share, we are going with the strongest national brands."

This pursuit of a loyal customer franchise is also evident among department store companies. A corporate topsider at Associated Dry Goods notes that all of the company's stores are working to develop their own labels in order to "make a clear statement of who they are appealing to." Moreover, he adds, "it means our competitors won't be setting our prices."

The two-year recession, now ending, forced department stores into price wars on nationally branded merchandise. Profits were sacrificed to maintain sales volume and customer loyalty. With private brands, department store retailers claim customers will not devote as much time to shopping for price and

HARDWARE
STANLEY

***Stanley replaces Powr-Kraft** tools in hardware depts. at Montgomery Ward.*

will return to picking stores that appeal to their sense of personal style.

Traditionally, private label goods have provided merchandisers with an 8 point to 12 point edge in gross margin in hard lines, allowing promotional pricing while maintaining margins nearly comparable to national brands. The economic forces over the past two years have changed this, though.

Gross margins on nationally branded hard lines items were regularly slashed, reducing earnings across the board. "What was happening," notes one Sunbelt discount senior buyer, "was that people were waiting a little longer and then spending a few dollars more to get a national brand item. I think they were willing to pay the small difference [as national brand prices dipped down to private label ticket range] to be assured of quality."

Montgomery Ward has made the most dramatic changes in private label merchandising. After years of attempting to develop a strong following for its Powr Kraft tools, the company has closed out the line. "We felt that we could make faster inroads in market share with national brand names," says Stern. Ward stores now carry Stanley in hand tools and Black & Decker in power tools.

In paint, though, Ward is staying with its own label. "We have an excellent franchise," adds Stern. "Ward's Durability Plus and Custom Color paints are in the top three among market share."

Nor is there any need for Ward to feature the manufacturer's name on the cans or in advertising. "The customer recognizes the quality," concludes Stern.

The same is not true with personal care appliances, however. At Ward, most personal care electrics are branded and items that still sport the Ward logo include the manufacturer's name. For example, the Ward back massager unit is labeled Montgomery Ward *by Pollenex* and the company's Pro-Style hair dryer and Curl Dazzler hairsetter are clearly marked *by Conair.*

Developing trend is to take a highly sophisticated approach of making private labels work.

K mart has taken the same tack with its own paint and tires, among other lines. The nation's second largest retailer advertises its Performer paint as paint with "quality by Dutch Boy, price by K mart." The same is done with the company's Olympian II tires.

And while a K mart spokesman denies the chain is downplaying private labels, both consumer electronics and housewares departments show a marked shift in emphasis. In consumer electronics, the television line has been expanded more than fivefold. But of the 62 sets displayed in one Chicago suburban store, only two were signed with the KMC (private label) logo. And even these bore the maker's TMK mark on the sets themselves.

Aiming at hitting highly competitive opening price points in small electrics, the packaging of K mart's "Garden Pattern" items has been changed from no brand name to "Robeson since 1879."

Apparel: Private label merchandise continues to be sought by department stores as competition heats up from rival stores and off-pricers. Private label apparel is, of course, a way for the store to distinguish itself from others, as well as a means to garner higher markups—some running 15% to 20% higher. Moreover, private label goods can offer consumers good buys at middle price points.

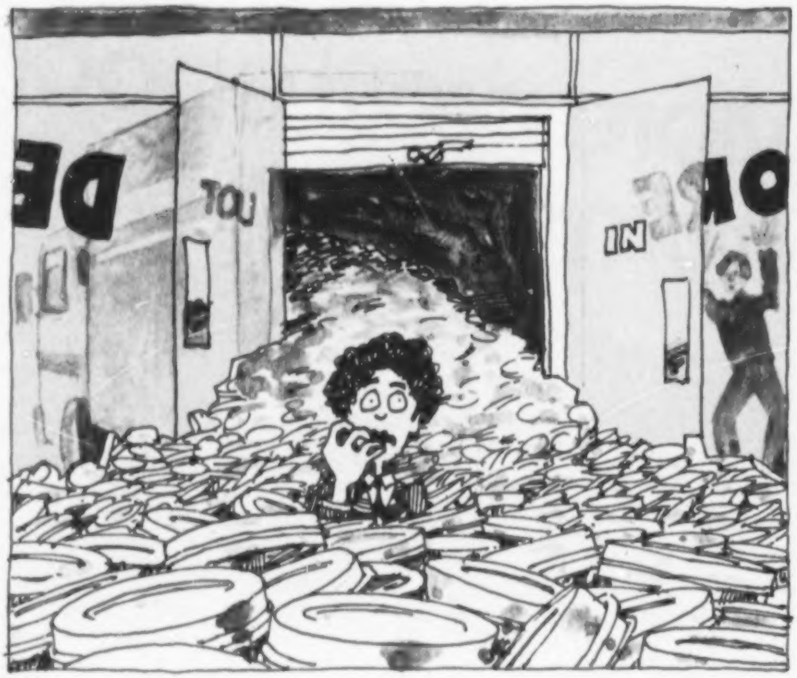
Department stores such as Lord & Taylor and Saks Fifth Ave. are brandishing their names in front of consumers so that they can establish the same recognition consumers have with designers. By contrast, stores such as Federated and Allied have been putting their money behind names created or bought by them. Federated, for example, is using in its women's wear department Cacharel, a one-time popular middle-to-upper price department store resource. At the same time, Federated has created its own brand in men's wear, Allan Sully.

Catalog chains are also stocking more private label, but with a difference. They are supporting labels sporting celebrity names, sports figures or designers in order to gain credibility with consumers. A line like Cheryl Tiegs, for example, affords Sears consumer recognition. Shoppers go to the chain believing they're buying a national brand while in reality it's Sears' own.

With the introduction of the Halston III collection, Penney executives say they can compete with department stores—Penney's challenge for the 80's. Halston III, exclusive with Penney, confers status to the chain and, Penney hopes, will attract once loyal department store customers.

That's not to say that private label programs such as Penney's Plain Pockets, The Fox and The Hunt Club have not been successful. They have. But consumers have bought them on an item basis. ☐

Horns that blow Dixie fail to rise



One buyer explains his decision-making process this way: "If I like a product," he says, "then I know it won't sell." And there are occasions when shoppers don't think much of an item either, which plunges buyers into that no-man's land of markdowns and Pet Rocks that are a season or two behind the times.

Take teddy bears. One enterprising gold buyer for a Midwestern jewelry chain was betting that gold teddy bear charms would become the rage among women of all ages. After all, she thought, everyone had a soft spot for teddy bears and, certainly, gold. There was one problem, however. The nation was smack in-between teddy bear crazes. The jewelry chain was soon offering gold—teddy bear charms at drastically reduced prices.

Another buyer, this time for a major Sunbelt discounter, had the same problem with automobile horns.

This buyer was absolutely convinced that Southern men, pumped up with geographic patriotism, would jump at the chance to equip their vans and pick-up trucks with horns that played Dixie everytime they wished to harass drivers with out-of-state license plates. "I thought this was a great idea and would go like gangbusters in our market," the buyer explains. "They didn't do a thing. Zero. I was stuck with them but fortunately I had just bought few enough to test in some of the stores."

Michael Welsh had a bigger problem.

Welsh, president of Indianapolis-based Danners, import subsidiary, Damex International Inc., found himself stuck with a truckload of canning jar lids that he says was just a hard-learned lesson for a "hungry buyer who was trying to make a name for himself."

In the mid-1970's, Welsh recalls, Danners needed jar lids for accessories to meet the demand created by a nationwide canning fad. "A company said we could have these lids that came 10 to a box," recalls Welsh. "And because I had dealt with this fellow before he said 'I'll let you have a truckload.'"

"Well," Welsh continues, "you can't imagine how many canning lids you can get on a truckload. Unfortunately, they were an off-brand that didn't fit on the most popular canning jars women were buying. I paid 60¢ for a pack and sold them for 97¢. The last I heard we were selling 10 packages for a $1.

"It took us three years to get rid of them and for years people around here were calling me the 'canning jar lid buyer.'"

A buyer for a mid-Atlantic discounter logged his memorable error when he purchased a shipment of imported hand tools that could be rolled up and neatly tucked into the corner of the automobile trunk.

"I thought these things were great and we could sell as many as we could get our hands on. It was a bomb and we had to clear them out for a lot less than the $16.88 we originally sold them for," he says adding that it turned out that serious auto repair do-it-yourselfers were not in the least bit interested in budget hand tools.

That wasn't his only mistake, but the only one he cared to admit to. "I'm not saying I haven't made a lot of dumb mistakes," the buyer says. "I'm just saying that I'm trying to forget some."

But perhaps Wal-Mart buyer Rick Russell best explains the empty feeling of product purchase miscalculations. Asked if he would share any stories of his own buying mishaps, Russell said, "I've only been at this for two years now, so the mistakes I've made haven't been too humorous." ☐

AUTOMOTIVES

Sales: $72.1 billion

***Sales of maintenance-related** products and services were flat last year.*

Accessories ignite profit jump

The average age of cars on American highways rose to approximately 7.0 years in 1982, but this increased longevity isn't due to increased care from consumers.

Retail sales for aftermarket products and services were flat last year and downturns were reported in motor oil and other engine care items. "I don't understand the downturn in oil sales," says Joe Phillippi, auto industry analyst at Dean Witter Reynolds. "I don't think people just decided to neglect changing their cars' oil. It may be a matter of the increased intervals between changes and the number of 'gas only' service stations. Consumers just aren't being reminded that an oil change is necessary."

But while sales of maintenance-related products were off, decorative accessories turned in strong results for the year. "They may not care about what's happening under the hood," says an auto service manager for a New England Sears store, "but people want their cars to look nice."

Mirrors, travel caddies, seat covers and other accessories posted sales gains in the 10% to 20% range at most chains. Body repair kits and touch-up paints were also strong sellers. Though sales of accessories and waxes and polishes more than made up for the decline in engine chemicals, the bulk of the business was at the low end.

"Expensive items, like aftermarket wheels, were very weak last year," says Phillippi. He notes that the same economic pressures that are forcing consumers to keep their cars longer are keeping them out of the high end of accessories.

One high-ticket category that is performing well for GMers is car stereo. Retailers report dollar increases for auto audio in the 25% to 35% range. "Our most popular price point for a car stereo is $179," according to Lou Bernucca, dmm at Woburn, Mass.-based Lechmere. "We cover all price points up to $499, but the opportunity area is the upper-middle range."

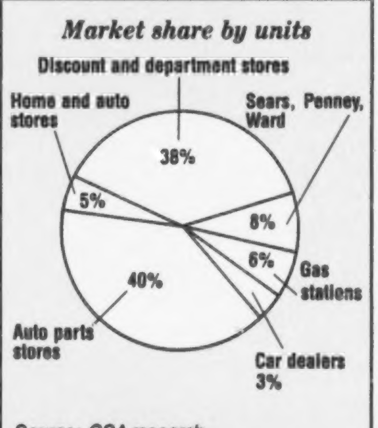
Unit sales for auto audio are expected to increase by less than 10% this year, but the dollar gains and average 35% gross margins are a significant aid to general merchandise aftermarket retailers' bottom lines.

For GM chains with automotive service operations, the withdrawal of J. C. Penney from the market and the closing of about 450 K mart service centers is good news. National chains, like Montgomery Ward and Sears, should be in line to pick up much of this business.

"Certainly the withdrawal of Penney's from the hard lines and automotive fields provides an opportunity for other retailers to capture at least that segment of their customer base," notes a spokesman for Montgomery Ward. "We feel many Penney's customers will shift their business to Ward in communities where we offer parallel services and products."

Phillippi points out, though, that Firestone's commitment to take over and operate approximately 300 of the Penney's auto stores may keep the customers coming back. "There is a real demand for competent automotive service which comes with some kind of guarantee," he says.

Retailers and analysts agree that a turnaround in the automotive aftermarket is likely for this year, but they caution that it will take general consumer acceptance of the economic recovery. "Before consumers start spending more on their cars they're going to have to see the effects of the recovery, not just read about it in the paper," notes Phillippi. ☐



Source: *CSA* research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$110	$125	$115
Annual turnover	1.0	1.5	1.8
Gross margin	29.3%	27.5%	28.2%

Source: *CSA* research

Growth areas

- **Waxes/polishes**
- **Car stereos**
- **Decorative accessories**

HARDWARE/HOME IMPROVEMENT

Sales: $57.8 billion

INTERIOR PAINT
INTERIOR PAINT
SAVE
SAVE
easy living latex paint
15.99

***Spurred by the growing** do-it-yourself market, paint sales remained solid.*

Hardware lumbers along slowly

For the second consecutive year, hardware/home improvement sales crept along at a slow growth rate. In 1982 total retail sales were $57.8 billion—up 4.7% from $55.2 billion in 1981.

The do-it-yourself hardware classification was one bright spot, however. Sales were up 7.6% to $29.8 billion in 1982 and will increase an estimated 11.1% to $33.1 billion this year, according to the Indianapolis-based DIY Research Institute.

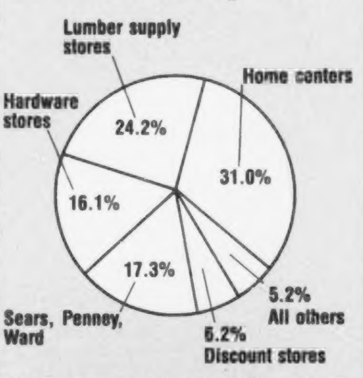
Power tool sales were flat in most major markets. Buyers say consumers are slow to replace the durable tools and users also tend to borrow a power drill from a neighbor in lieu of purchasing the staple category device. "Power tools were just way off the mark," says Indianapolis-based Danners hardware buyer, Dennis Bush.

Some chains had better luck. Big 3 leader Sears reported strong sales in both the bench and power electric tool classifications while a buyer for a major mid-Atlantic States discounter says bench power tools sold unexpectedly well.

"One of the big surprises of last year, at least for us, were the bench type tools," says the buyer. "The table saws did well and so did drill presses and grinders. The do-it-yourself homeowners had a very positive effect on the success of this category."

Kerosene heater sales received mixed reviews from buyers. The controversial units—which were cited for safety hazards by *Consumers Reports* magazine—were strong sellers in 1982, but also appeared in more outlets. "Kerosene heater sales dropped off for us substantially," explains one buyer. "People are not buying any less of them but more people are selling them."

Market share by units



Source: National Retail Hardware Assoc.

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$110	$185	$155
Annual turnover	2.0	4.5	3.6
Gross margin	35.7%	35.0%	28.6%

Source: *CSA* research

Growth areas

- Paint
- Hand tools

Nevertheless, Danners' Dennis Bush says the discounter is banking on heavy kerosene heater sales in the '83-'84 winter season. "We are going after kerosene heaters pretty hard," says Bush. "We had a 90% sell-through last season and the industry average is about 20% to 25%."

In other classifications, hand tools and paint were growth areas, according to buyers.

Consumers, buyers say, are beginning to trade up from the lower-quality house brand tools to national brand merchandise such as Stanley. Paint (especially spray paint) has also been a strong classification for hardware/home improvement departments, which buyers say is directly attributable to the growing do-it-yourself movement.

Energy-saving devices and materials, however, suffered from an unexpectedly mild winter according to buyers. The classification was tabbed as a growth area for 1982 but apparently lost steam due to the weather and the drop in oil prices. But as energy prices slowly creep up again, energy-related materials could be a classification to watch in 1983.

For 1983, most buyers say the hardware/home improvement market will remain much the same, with slow growth and a few bright spots within the assortments. The do-it-yourself classification will remain the strongest area as evidenced by recent moves by both Sears and K mart. The top two retail chains unveiled hardware/home improvement prototype departments last year.

But for most general merchandisers, 1983 may be another year of lagging hardware sales. As one buyer puts it, "So far, hardware has been in the doldrums. Nothing seems to be shining." □

DOMESTICS

Sales: $14.8 billion

***Coordinated accessories spark** sales for this high-margin classification.*

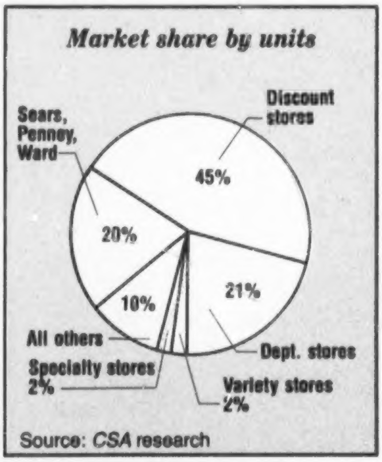
Kitchen textiles wring out sales

An unusually warm winter, the increase in off-pricers and consumers continuing to monitor their spending contributed to soft sales gains in domestics in 1982. Retailers note increases of less than 10% overall, with profits reaped from high-margin departments such as table linens and kitchen textiles.

"Nineteen eighty-two was very promotional," summarizes Gail Lebert, Sage-Allen's domestics dmm. Like many other retailers, Lebert will be looking to strengthen '83 sales in her volume businesses—sheets and towels. She says, "We're trying to emphasize in-stock, year-round, basics." Additionally, she'll be spot testing new businesses, like waterbed sheets, and gauging results by sell-through compared to the day-in/day-out business from similar categories.

Harold Crane, domestics mm of Fred Meyer, also looks to new businesses for growth this year. His 65 stores just introduced a line of waterbed linens and will emphasize flannels in the fall. One of the top growth areas in sheets over the past few years, 200-threads, is "peaking" or "downtrending," say several department store retailers. However, upscale discounters are trying their hands at this classification.

For instance, Gold Circle recently ran a catalog page devoted to Bibb's High Society priced at $19.99 for a twin-size set, $29.99 for a full-size set, and $39.99 for a queen-size set. "We are very pleased with the results," says Steve Fishman, vice president/divisional merchandise manager of Gold Circle's soft home.



Source: *CSA* research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$86.50	$82.00	$95.00
Annual turnover	2.1	2.3	1.7
Gross margin	42.5%	35.0%	32.3%

Source: *CSA* research

Growth areas

- **Flannel sheets**
- **Waterbed sheets**
- **Kitchen textiles**
- **Priscilla curtains**

In towels, retailers are realigning solid color assortments and cutting back on selections in embellished numbers. One department store executive confides that consumers have become "more practical"—they don't want embellished towels for everyday use.

At Bergner's, domestics dmm Duff Algren says, "We've taken a look at towel pricing as part of a storewide value/image program." He explains that while Bergner's carries the same items as other department stores, it has lowered prices "to become more realistic" in terms of consumer expectations.

Soft towel sales at all levels have been very disappointing, retailers say. One industry source suggests that retailers need more POP signs that encourage customers to touch or to feel the difference.

Kitchen textiles, on the other hand, continue to present sales opportunities. Several retailers admit that they've neglected this high-margin category (averaging between 45% and 50% gross margin) too long. At Sage-Allen, for instance, Lebert hopes to capitalize on impulse shopping to spark multiple sales. The 13-store chain offers coordinating kitchen accessories and changes the theme every two to three months.

Caldor takes coordination a step further in a recent catalog ad. It shows the "Mushroom Patch" kitchen ensemble—which includes a pot holder on sale for $1.27, oven mitt, on sale for $2.77, and kitchen towel, on sale for $1.97—with matching tier curtains, swag and valance, retailing on sale for $4.44 (24-in. tier) or $4.88 (36-in. tier). Swag and valance alone are priced at $6.44 and $3.44 respectively.

While Priscillas, tiers and panels continue their upward growth, ready-made draperies continue to drain sales of window coverings. "Draperies were nothing short of disaster," says Gene Hein, mm for curtains and draperies at Spurgeon Mercantile Co. "Customer resistance to price and the lack of innovation on the manufacturers' side have created this problem." ☐

ACCESSORIES

Sales: $7.95 billion

***Awareness of what's happening** in apparel is key to accessory sales.*

Accessories hot at mass merchants

In 1982, accessory sales took off at mass merchants. Once considered the domain of department stores, accessories are now lively bottom-line contributors to mass merchants such as Sears, Clover and K mart.

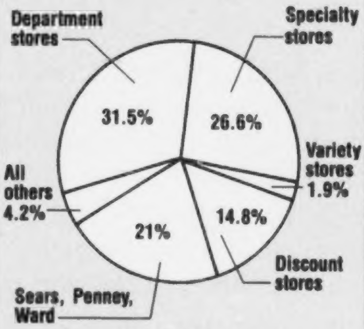
Consider, for example, Sears. The nation's No. 1 retailer is aiming, according to published reports, to push accessories volume to $150 million in 1984, up from an estimated $100 million in 1982. Or take K mart. In the first quarter of 1983, fashion accessories were ahead 11% over 1982.

Accessories have traditionally been regarded as recession-proof, thought of by buyers as quick in-and-out items. In hard times, consumers bought them to upgrade wardrobes; in easier times, to enhance wardrobes. This is no longer the case for all accessories. Today many can cost as much as apparel, canceling them out as impulse purchases. Still, as one buyer says, "A hair pin priced under $5 can jazz up a women's mood."

Last year, accessory sales were up 7.4%, according to *CSA* estimates. As purveyors of many small businesses such as handbags, scarves, small leather goods, umbrellas, gloves, belts, hair items and jewelry, buyers say there is always one category that can be relied upon to boost sales. As a spokesman for Hayward, Calif.-based Mervyn's puts it, "Something is always hot."

This year, department store buyers are highlighting bright, bold colored accessories, scarves that wrap at the neck and rubber items. At mass merchants, continued refinement of assortments will take place—to see just how much consumers will spend for these goods.

Market share by units



Source: *CSA* research

Productivity breakdown			
	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$177	$132	$110
Annual turnover	4.5	4.2	3.6
Gross margin	48%	45%	41%

Source: *CSA* research

Growth areas

- **Neckwear**
- **Rubber items**
- **Brightly colored jewelry**

"The Japanese influence will definitely be felt in accessories this year," says a spokesman for Minneapolis-based Dayton's. She is referring to clean structured lines that will predominate as well as to colors. "Everything will be disciplined," she says.

In department stores this year, consumers will also see rubber goods, which buyers deem another result of the Japanese influence. At Los Angeles-based The Broadway, there will be rubber belts and handbags. "We feel consumers are ready for rubber as many of these items are slick and fun," says a store spokesman.

At mass merchants, the emphasis will be on offering more quality merchandise in upgraded environments. "The ambience can make all the difference," reports a Sears spokesman who speaks from experience. At Sears' experimental soft lines store in Vernon Hills, Ill., regrouping accessories in attractive areas has led to large sales hikes.

"The new display areas forced us to take a sharp look at assortments," explains a Sears spokesman. In the case of belts, handbags and gloves, the number of sku's carried were slashed. What's more, higher price points were added. Result: increased sales.

At Mervyn's, where assortments have been finetuned in the past five years, accessory sales have blossomed. Increases this year are expected to be the same as Mervyn's sales' hikes. Price points have risen, says a store spokesman, but not to the point where the store has abandoned the low end. This means, for example, that belts will run from $4 to $15. It also means Mervyn's will stock belts similar to department stores, interpreting styles for their shoppers.

For Mervyn's buyer and others, the key to accessory sales is "to be aware of what's happening in apparel. Accessory looks are dictated by ready-to-wear." ☐

CE/COMPUTERS

Sales: $5.4 billion

Dividing line between home and personal computers is blurring more and more.

Minicomputers tab big gains

Last year may go down in history as the "year of the computer," but it was only the beginning of the retail sales surge predicted to continue throughout the rest of the decade.

More than 1.5 million home computers were sold in 1982, with department and discount stores accounting for nearly half of all sales. This year, industry watchers say sales will top $2 billion for home computer consoles alone, with between five million and seven million units being sold by year's end.

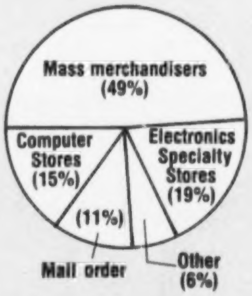
"Selling home computers isn't the problem," notes a Sunbelt department store dmm. "Getting the product is our problem. Whatever the manufacturers deliver, we can sell."

But while sales have skyrocketed, intense price competition at both the retail and wholesale levels has virtually wiped out any profit margin. "Six months ago, we were getting about 27% gross margin on the computers," says an electronics department manager for a New England discount chain, "but today, I doubt we're getting even 10%."

Price reductions from manufacturers have come so fast and so often that many chains are unable to keep up. Most chains were still selling the Timex/Sinclair 1000 for $69.95 three weeks after Timex began running a national television ad campaign touting the unit's $49.95 price point.

Where the price wars will leave home computer tickets is anybody's guess. To counter the margin-busting moves for computers, retailers and manufacturers alike are creating package deals. "The basic computer really won't do anything," notes Frank Remalely, electronics buyer for G. C. Murphy. "The customer is going to have to buy a certain number of peripheral pieces of hardware and some programs. If we put the package together, then we can pick up a few margin points and give him a system he can use."

Market share by units



Source: Future Computing Inc.

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	N/A	N/A	N/A
Annual turnover	N/A	N/A	N/A
Gross margin	22%	20%	18%

N/A: not available
Source: *CSA* research

Growth areas

- **Computer packages**
- **Peripherals**
- **Educational software**

Despite the move to packaged systems with prices ranging from $299 to more than $750 and the 40% to 50% gross margins on individual software programs, GMers say they expect to earn only 18% to 22% gross margin from sales of all computer products.

Virtually all chain buyers say they are sticking with home computers and steering clear of the small-business market.

But the dividing line between home and personal computers is blurring more and more. If the price point for the Apple IIe drops to $600, as is rumored, at least one upscale discount chain is planning on carrying the unit.

The intense interest in home computers didn't severely damage sales of video games last year, but retailers are divided on the future of video games. Remalely says he believes there are still two distinct customers: one for games and one for a home computer. "But it's going to be a matter of price," he adds. "We've already promoted the Atari 2600 VCS for under $50." At that price, a video game console may appear attractive to the noncomputing customer. But without a concurrent drop in the price of game cartridges to "below $15" an Oklahoma City department store buyer says game sales will continue their first-quarter sales nose dive.

"The million-dollar question for 1983 is whether keyboard add-ons for the game consoles will sell or not," says Remalely. "With the price of a home computer under $100, it doesn't make much sense for a customer to spend $90 for a keyboard for his old game console." Other industry insiders, though, say the add-ons will sell "like crazy for a year or so." ☐

STATIONERY

Sales: $23 billion

***Thanks to stable postage** rates, greeting cards witnessed a mini-boom.*

File keeping need spurs growth

The continued need for consumers to maintain organized files at home is keeping sales growth on track with chain buyers reporting 1982 gains of 12% to 19%.

"People are much more interested in keeping their home files in order than they have been in the past," says Woolworth buyer Bill Young. "The real surge began five years ago and there doesn't appear to be any slackening in sight for the near future."

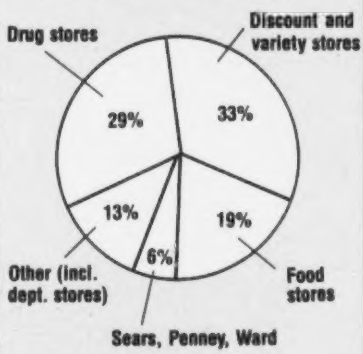
But while the upward trend is undiminished, more and more diverse outlets are getting into the business, forcing retailers to take more competitive positions. "File cabinets are very strong sellers when promoted," notes Young, "but today they're definitely promotional items."

One way to approach increased competition is to avoid the utilitarian units in favor of more attractive models. Sears is one chain taking a "furniture approach" to the home office category.

"There is an increase in the growth of the home market due to the fact that manufacturers are making products that are more compatible with the home decor," says a Sears spokesman. "Customers are looking for units that fit in better in the home atmosphere."

The higher price points for these models haven't dampened consumer enthusiasm, according to both department and discount store merchandisers. "Basic beige steel cabinets are still our top sellers," notes a Mid-Atlantic discount store buyer, "but the strongest growth is coming from wood-veneer units."

Market share by units



Source: *CSA* research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$118	$129	$142
Annual turnover	5.0	4.5	4.3
Gross margin	52%	45%	50%

Source: *CSA* research

Growth areas

- **Home office**
- **Greeting cards**
- **File cabinets**
- **Erasable pens**

But while file cabinets, dividers and folders are continuing their upward surge, other desk accessories aren't faring as well. "Today, we're looking at a saturated market for plastic desk accessories," says Young. "Sales haven't dropped off, but there is no longer any unusual increase in sales."

One home/office category that appears to be on the verge of explosive sales is computer desks for the home. With an estimated seven million computers expected to be sold this year, consumers are looking over knock-down furniture designed specifically for computers, printers and other accessories. Retailers are already responding. At Sears "store of the future" in Vernon Hills, a Chicago suburb, four of the seven desks featured in the home office department are for computer use.

Greeting cards are also experiencing a mini-boom. Following the dual postage increases during the second half of 1981, card sales tumbled. "Those postal rate hikes came just before Christmas and really creamed the market," notes Steve Kiviat, stationery buyer for Filene's in Boston. "People have gotten used to the new costs and sales have come back."

But Kiviat and most other buyers are leery about the impending increases now being studied by the Postal Service. "If they come this year, I think we'll see another nosedive in sales of cards and stationery," Kiviat says. "But if they don't go into effect until January 1984, then I think we'll be able to handle it."

In variety and discount stores, sales of erasable pens are strong and should remain that way throughout 1983. "There is still a novelty aspect to the erasables," notes Young. "Right now they're hot and will be through the back-to-school season."

Back-to-school also looks to be a very good season this year. Lower prices on key paper goods and pencils should remain in place through early 1984, according to Young. ☐

FOOTWEAR

Sales: $19.7 billion

***Best sellers last year** proved to be the low-priced, nonleather shoes.*

Athleisure makes giant strides

Shoe volume reached a peak of $19.7 billion, a gain of 2.1% over last year—less than the average GM gain. Units of men's, women's, children's and athletic shoes increased by 30 million to 979 million units.

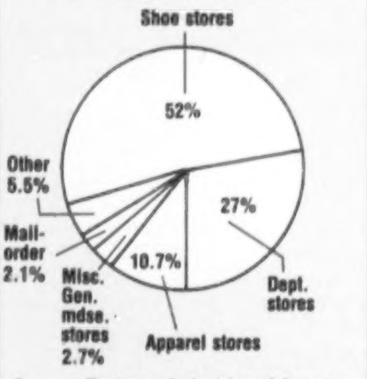
Athleisure footwear, those styles bought for casual and/or active use, made the biggest impact of any style trend. The term, coined to describe apparel that is neither exclusively activewear nor sportswear, came into play in footwear also. Athleisure shoes started taking off in men's, women's and children's departments in '82, continuing a trend for sporty shoes that shows no signs of abating this year.

"It's a very important classification," says Dorothy Szlachta, dmm/footwear at Philadelphia-based Strawbridge & Clothier. "The beginning was last year, and it looks fantastic for '83. Initially, athleisure styles were selling well with canvas uppers. Now the trend is toward leather."

The athleisure classification at department and discount stores is taking some sales away from traditional athletic shoes like joggers and court styles, that were being bought for leisure wear, says Alan Beatty, div. vp/shoes at Hayward, Calif.-based Mervyn's. "The impact really won't be felt until '84," Beatty notes. By then, the more tapered, casual looks, which Mervyn's is showing in colored and striped canvas, may begin stealing sales from women's flat sandals.

Beatty also sees a tremendous growth potential for athleisure styles with Velcro closures. "Sometimes 50% of our athleisure sales are in Velcro," he says, noting that Velcro is most likely worn as a casual, not sport, shoe.

Market share by dollars



Source: Footwear Industries of America

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$157	$169	$117
Annual turnover	2.3	2.7	2.0
Gross margin	44.5%	38.3%	36.8%

Source: *CSA* research

Growth areas

- **Athleisure**
- **Women's pumps**
- **Boots**
- **Spectator color combos**

The emphasis on leisure-time looks has also boosted sales of casual shoes for women, such as moccasins and oxfords, says a source at Chicago-based Marshall Field's. Best-selling styles fall into the $40-$45 range.

For the industry in general best sellers proved to be low-price, nonleather shoes for $10-$12, says Harold Gessner, executive director of the Footwear Council.

In casual footwear, the rubber-canvas category is on a downswing. "Three to four years ago, 1 out of every 4 shoes sold was rubber-canvas," says Gessner. "Now it's 1 out of 5." Athleisure styles, which are not exclusively confined to the rubber-canvas classification, have picked up the slack, as have "authentic" athletic shoes.

Of dollars spent last year on footwear, $14.5 billion went toward "true" shoes. Sneakers and other rubber and plastic styles accounted for $2.5 billion in sales. Another $2.2 billion was spent on athletic shoes, says Dundar Shetty, mgr./statistics and services at Footwear Industries of America.

For women, 1982 marked the beginning of a new pump era, and pump looks should continue strong through the end of '83, as well as most career and closed styles. Anne Gilliar, fashion director of the Volume Footwear Retailers of America, also sees the cutout closed shoe on a higher heel emerging. Except for casual shoes, flats have declined in importance.

Boots were a big factor last year, says Strawbridge's Szlachta, but mainly on a promotional basis. This trend will continue in '83, she thinks, since shoppers are still concerned with price. John Freudenthal at the May Co.-California is also predicting a strong boot year, as is Volume Footwear's Gilliar.

Children's shoes declined slightly over last year, says Gessner, mainly attributable to demographics. ☐

Sales: $14.5 billion

Activewear was a standout *all year long for both older kids and babies.*

Baby boom a bust for kids' wear

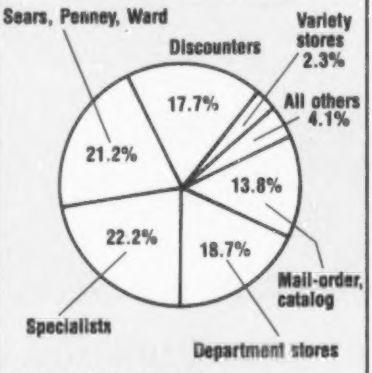
The new baby boomlet has helped infants' and toddlers' wear sales to date, where volume has been above plan. For the total children's wear area, however, sales crept up only 2.1%, to $14.5 billion. Units declined 3.6% to 2.7 billion.

"Infants and toddlers was much stronger than store trend," says Vern Stigge, exec. vp/merchandising at Hayward, Calif.-based Mervyn's. Besides apparel, especially fleece in small sizes, Mervyn's did well with layette furniture, strollers and car seats. The latter is expected to continue strong through this year, as a change in safety laws made car seats mandatory in California as well as other states.

Mervyn's, however, isn't sitting around waiting for the baby boomlet to come into its stores. The soft lines department store is aggressively going after the new business, prebirth. Mervyn's has had a strong maternity area, says Stigge, and is targeting these customers via direct mail pieces relating to infants' and toddlers' needs.

Older children's departments were generally below plan across the country, though there were some strong classifications. Activewear, in particular, was a standout all year long for both older children and babies. Durability made it especially appealing to penny-pinching parents, and the look was popular with children, who, like their parents, want to look active whether they play sports or not. Fleece was the best-performing activewear fabrication, expected to continue well into 1983.

Market share by units



Source: *CSA* research

Productivity breakdown			
	Dept. stores	**Big 3**	**Mass merch./ variety**
Sales per square foot	$89	$103	$94
Annual turnover	2.9	3.0	2.7
Gross margin	42.4%	39.3%	34.4%

Source: *CSA* research

Growth areas

- **Activewear**
- **Sweaters**
- **Vests**
- **Minis**

Parents appear to be spending less on children's wear. More expensive lines, like status and designer names, generally performed poorly. An exception to this trend was at Philadelphia-based Strawbridge & Clothier. Designers were strong in children's lines, says Ronald Avellino, dmm/children's, especially Gloria Vanderbilt for girls.

But Strawbridge, like many other department stores, also emphasized reasonable prices and good values last year in an effort to boost market share, which has been eroding to catalog chains and discounters. Strawbridge's is stressing "value pricing," although Avellino says, "The customer still wants to perceive us as a department store." That means Strawbridge must continue to carry brand names—but at good prices.

Minneapolis-based Dayton's is another department store that is trying to let children's wear shoppers know it has values. A key strategy at Dayton's, which merged budget departments with upstairs departments last year, is its "Value Plus" program. Value Plus is aimed at fighting back at discounters by offering department store customers day-in/day-out values. That way, says Mary Fries, sr. buyer, shoppers won't wait for promotions.

"We want to show we're priced just as good as the discounters, and that we have better assortments," says Fries. While brands are included under the Value Plus handle, Dayton's is mainly stressing private label and no label for kids' wear. "We expect that private label will account for 20%-40% of our business next year," adds Fries.

Mervyn's is also pushing private label, particularly the Unicorn Club concept started last year. Unicorn Club, Mervyn's version of Ralph Lauren's Polo look, ranked as one of the better performers in the girls' area.

Besides active looks, retailers also feel positive about new pants silhouettes, vests, novelty sweaters, dresses for girls and dress-up for boys, and miniskirts and minidresses for girls. ☐

COSMETICS/H&BA

Sales: $16 billion

Men's readiness to buy H&BA reflects change in societal attitudes.

Pampering shoppers boosts sales

The health and beauty aids market grew 6.7% to $16 billion last year, with growth coming from underdeveloped categories such as skin treatments and "pampering" products.

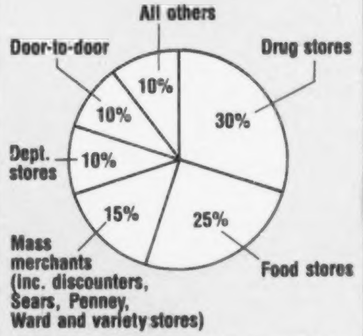
Fragrances had only a fair year, showing an increase in dollar volume and a slight gain in units. Weinstock's cosmetics and fragrance dmm Frank Knowles explains, "There was a lot of resistance to prices. Every other department in the store was on sale. We [cosmetics and fragrances] were the only department not on sale . . . we don't take markdowns."

For 1983, retailers and analysts are hopeful. Maryann Sama, a consultant with Charles Klein & Co., says that marketers will keep their prices down, sparking better unit growth. However, she expects dollar growth to be flat. The merchandise retailers are watching include products that make customers feel better, such as skin and body treatments and vitamins.

While skin care expanded during 1982, Sama says it did not grow as rapidly as the year before. Phil Woods, pres. of Putnam Assoc., retail analysts, agrees, adding that the business was more items-oriented last year rather than a regimen. Two hot items picked for this year include Elizabeth Arden's Lip-Fix and Estee Lauder's Night Repair. At Bloomingdale's in New York they retail at $10 for a 5-oz. tube and $35 for a 0.87-oz. bottle, respectively.

Unlike skin treatments, entire body treatment regimens for women are growing. "Treatment doesn't stop with the neck," says Putnam's Woods. He explains that cosmetics and fragrance companies are building lines around baths which include scrubbers, massagers, sluffers and moisturizers.

Market share by units



Source: Charles H. Klein Co. and *CSA* research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$218	$100	$105
Annual turnover	2.8	3.0	3.4
Gross margin	38.6%	30%	21.6%

Source: *CSA* research

Growth areas

- Bath treatments
- Face treatments
- Vitamins

One such line mentioned by several department store merchants is Estee Lauder's European Body Treatment Spa. This line divides products into three basic groups: bath and shower, moisturize and condition, and special care. Prices at Bloomingdale's range from $6.50 for the Extremely Effective Antiperspirant, a special care item, to $35 for European Moisture Supplement Body Creme or European Bust Conditioning Creme.

The idea of a skin regimen isn't only for women; it's spreading into men's also, say retailers. One of the most notable lines to debut is called Solutions from the Skin Research Group. It divides products by beard growth and also includes aftershave cooler and moisturizer.

"It [Solutions] can be very viable," says Weinstock's Knowles. "Men want treatments too. They're much more cognizant of their appearances today than they've been in the past."

At mass merchants, vitamins departments are taking off. Danners, for example, is making a major expansion in vitamins, says H&BA mm Bruce Sherwood. "We virtually were not in it before," he says.

The growing health and exercise trend has caused Sherwood to reconsider his business. Danners will be adding two vitamin lines and the department should fill 6 to 8 linear feet.

As for fragrances, Putnam's Woods says that the category had a stronger than usual year-end in 1982. However, retail analysts and merchants say the industry will have to work "twice as hard" to grow 1982 units.

One problem facing all merchants is pricing. "With the average bottle of cologne retailing for $20, it's in competition with every other item in the store," says Bergner's MacLean. "We have shirts selling for less at $19.99." ☐

SEWING

Sales: $4 billion

Reaping the bulk of sales *are fabric specialists carrying full assortments.*

Sew wars survivors stitch wounds

The estimated four million United States home sewers spent approximately $4 billion in 1982 on fabrics, patterns, notions and sewing machines, about the same as in '81, with fabric sales of $2.3 billion accounting for 57.5% of the total.

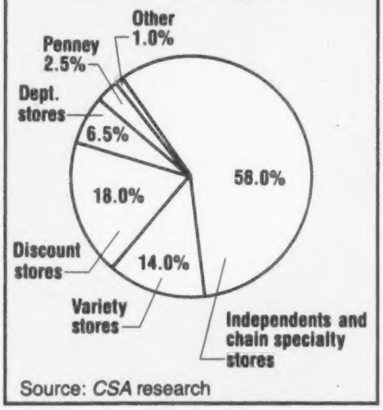
Two industry giants posted impressive sales gains in '82 over the prior year. Ohio-based FabriCenters of America reported sales of $210.3 million, up 21.8%, while House of Fabrics in California announced a 28% increase, with sales of $230 million.

With half as many retail sewing outlets open today as five years ago, the bulk of sales are going to the fabric specialists who can make the necessary commitment to complete assortments, as one-stop shopping is important to the already economy-minded home sewer.

While the companies who remain in the market are healthy survivors of the "sew wars," the latest batch of closings, including Woolco and the announcement that Penney would hang up its needles and threads forever, had a slightly negative impact on the survivors. Distress sales aimed at liquidating inventories stitched up some sales, but once this clearance fever is over, the sewing industry should hold to a steady course with less price cutting and higher profit margins.

For 1983, insiders expect the sewing industry—influenced by the conservative mood of the nation, the renewed interest in fitness, licensed products and designer fashions—to produce sales gains of 8% to 10%.

Market share by units



Source: *CSA* research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$41	$38	$55
Annual turnover	1.7	1.5	2.7
Gross margin	39%	28%	37%

Source: *CSA* research

Growth areas

- **Fashion fleeces**
- **Costumes**
- **Craft fabrics**
- **Licensed products**

"The new conservatism is good for home sewing," says Barney Sofro, chairman of House of Fabrics. "This translates into women wearing more dresses and skirts, which are generally easier to sew than pants, increased enrollment in home ec courses and a continued importance of the savings offered by sewing.

"And the interest in crafts is especially gratifying," he adds. "We estimate that about 30% of all fabric we sell goes into projects other than apparel. About 250 of our 630 stores emphasize craft projects and kits along with traditional fabric and notions."

Fashion fleeces, a big winner in '82, will continue to race ahead in sales this year. "Sweatshirt looks are wearable by a large portion of the population. And with the Olympics in '84, this momentum will continue to build," says Bob Humphrey, merchandise manager for 75-store Northwest Fabrics.

Last Halloween, McCall's E.T. costume created a "sew-sensation," and retailers are looking for a repeat with the introduction of Ewok, a character from *Return of the Jedi*. Other licenses from Sesame Street to Shirt Tales are also good growth areas for retailers, adding to the increasingly important children's business.

Offerings from the major pattern companies of name designers are a fashion-forward step for the home sewer who can now create the most popular ready-to-wear looks at a fraction of the cost, and at the same time the styles are offered in stores.

Woolworth buyer Hank Curran is very optimistic about sewing's future. One of the core departments for the variety chain's new prototype, the sewing area has just undergone intense scrutiny—sku by sku. "We will be in a better in-stock position as we approach a 'state of the art' level for each store group size," says Curran.

"People already associate us with notions. Now we can have importance for the home sewer too," Curran adds. ☐

WOMEN'S WEAR

Sales: $42.3 billion

***Thanks to better offerings,** more retailers will focus on large sizes.*

Pent-up demand seen for '83

Having weathered an economic climate that pushed consumer confidence to an all-time low, women's wear buyers are optimistic about sales in 1983. Most maintain consumers are ready to buy again.

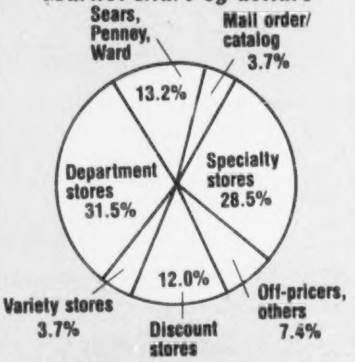
"There is a pent-up demand for clothes," sums up Karen Bonhoff, divisional vp, fashion and development, at Minneapolis-based Dayton's. Most merchants agree with this assessment.

If anyone doubted that women's wear buyers faced a tough year in 1982, a look at sales results will squelch their uncertainties. Sales advanced only 5.8%, from $40 billion in 1981 to $42.3 billion in 1982, according to Market Research Corp. of America (MRCA). Units did not even move forward from 1981's level. They remained at 4.7 billion, indicates the MRCA data.

Despite the more upbeat consumer mood, buyers still say they will have to fight this year to hold onto or increase market share. This is the result of two factors: The first is the growing competition from off-pricers, many of whom are offering brand name merchandise in upscale interiors, and two, the fact that all merchants have sharpened their skills and are waging war against each other. Today, comments one industry observer, "All stores are off-pricers."

Also contributing to a competitive picture this year is the fact that no dominant trend has emerged in women's wear. Nonetheless, buyers are banking on classifications and items to beef up sales and profits.

Market share by dollars



Source: Market Research Corporation of America and *CSA* research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	**$126**	**$118**	**$98**
Annual turnover	**4.1**	**3.9**	**3.2**
Gross margin	**45%**	**40%**	**36%**

Source: *CSA* research

Growth areas

- **Social dressing**
- **Career clothes**
- **Weekend wear**

At department stores, "social dressing" is materializing as an important classification, although not considered on the "big bucks" scale of career or activewear. Comments a spokesman for Los Angeles-based Robinson's, "It will probably not be as big a volume maker as active or career apparel. But it will be an important contributor to sales."

This classification consists of clothes that are worn from dinner on and, and according to Dayton's Bonhoff, "These can be really extraordinary or just a beaded jacket teamed up with slacks." Social dressing, say department store buyers, reflects the fact that baby boomers are aging and moving out of jeans.

For mass merchants, the classification they will push this year is career or work clothes. "It represents a tremendous growth area for us," says Roger Goddu, mm/vp of Minneapolis-based Target. As a result, more shirts and blouses will be featured. Executives at Mervyn's and Sears also feel this is the year to offer more selection to women who work. At Mervyn's, for example, two-piece dressing will be touted, as will shirts that look like blouses, and suits. Suits priced well above $100 are already strong movers at Sears.

Buyers from department stores to mass merchants maintain sweaters is one of those items that will draw consumers into the store. All anticipate sales should be excellent this year. A spokesman for Chicago-based Marshall Field's insists cardigans will replace blazers in 1983. She adds, "We will carry more novelties than we have in a long time." These include plaids, intargias and argyles.

Argyles will also be stocked at mass merchants. Bentonville, Ark.-based Wal-Mart, for one, will offer argyles as well as other styles.

Large sizes also continue to gather momentum in stores. This year many buyers anticipate garnering larger sales thanks to more fashionable merchandise being offered by vendors. Mervyn's expects to carve out a bigger market share as do Penney and Sears. ☐

HOSIERY

Sales: $4.4 billion

***Pantyhose, especially textured styles,** will continue to move out in '83.*

Hosiery sales off and running

The high-stepping pace of hosiery sales faltered slightly in 1982 but is expected to spring back in 1983. Fueling buyers' optimism this year is the return of consumer confidence and fresh hosiery looks, especially in women's wear.

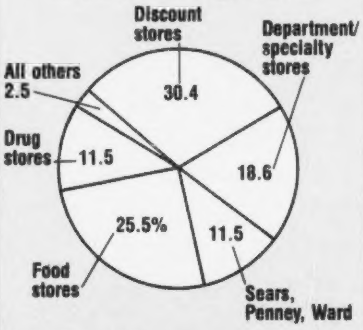
In 1982, sales of women's, men's and children's hosiery rose 10% to $4.4 billion, according to Market Research Corporation of America. Shipments, however, slipped 5%, down from 1981's historic high of 304.8 million dozen pairs to 288.7 million, reports the National Association of Hosiery Manufacturers (NAHM). Nonetheless, a spokesman for the association claims that under 1982's recessionary climate, the decline in shipments was not significant. "Even if economic conditions were better, we would have been hard pressed to exceed 1982's figures."

Sales of women's hosiery fared better than those of men's and children's. In 1983, most women's wear buyers at department stores and mass merchants are looking at sales increases in the neighborhood of 12% to 18%. At department stores, legwarmers are expected this year to step down in importance as a result of their popularity for the past two years.

More successful this year, claim buyers, will be textured pantyhose sporting herringbone tweeds, ribbon patterns or floral designs, along with "sweater" tights and crew socks.

At mass merchants, however, legwarmers will continue to fly out of the stores, say buyers, who explain their customers did not start buying them as early as department store shoppers. Moreover, most did not stock them as early as department stores. At Norwalk, Conn.-based Caldor, for example, thigh-high legwarmers are slated to be best sellers, says a store spokesman.

Market share by units*



**Women's hosiery, not including socks*
Source: Market Research Corporation of America and *CSA* research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$195	$158	$122
Annual turnover	4.5	4.2	3.9
Gross margin	47.5%	43.0%	37.0%

Source: *CSA* research

Growth areas

- Textured pantyhose
- Legwarmers
- Crew socks

In addition to legwarmers, casual socks and pantyhose will continue to move out in 1983.

Last year, pantyhose shipments were the only ones to score gains over 1981, rising 8%, according to the NAHM data. Shipments of conventional sheer pantyhose were up 2%, while opaque hose shipments jumped a spectacular 52%. Support hose were also big gainers last year. Shipments rose 14% to 45 million dozen pairs.

Women's wear buyers are also counting this year on casual socks to push up the bottom line. Sports socks have been particularly strong at mass merchants, where prices run considerably lower than at department stores, and the quality is often as good.

While bright-colored sports socks have been marching out of department stores, it is still the meat and potato items at mass merchants that are attracting consumer attention. These include pompoms and terry socks.

Socks, in general, did not perform well last year, reveals the NAHM data. Shipments for girls, boys and women fell 17% below 1981's level.

Casual socks also dipped in infants' and children's wear, down 16% from 1981's figure. Socks were not uppermost on mothers' minds in 1982, point out buyers. Neither were they on men's minds. Shipments for all men's socks fell in 1982.

After two years of increases, knee-high shipments plunged 15%. This loss was the biggest sustained in men's wear. Midcalf socks fell 5%. Even anklets, which are the largest movers in men's wear, could not keep up with the record-breaking pace set in 1981. Shipments were off 9%. ☐

PHOTO/CAMERA

Sales: $9.8 billion

***Some GMers are installing** one-hour labs to gain larger market share.*

Disc camera sales developing fast

There were few surprises in the photo/camera market in 1982. As expected, the Kodak Disc system was firmly entrenched as the industry's predominant pocket camera; 35mm SLR sales were flat while 35mm autofocus units continued strong; photofinishing was cited by retailers as an increasingly profitable wing of the often low-margin classification, and the big losers continued to be instant cameras, movie cameras and darkroom equipment.

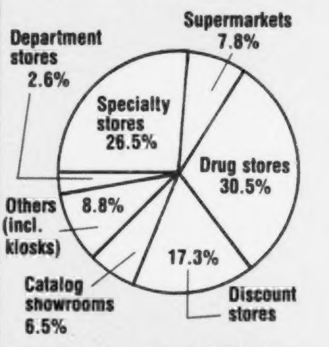
The Kodak Disc was the big story. The Rochester, N.Y.-based photo giant has already shipped some 10 million Disc units worldwide and has already spawned a rush of competitive knockoffs. A spokesman for K mart, the nation's largest discounter, reported strong Disc sales and expected the trend to continue through the end of 1983.

The 35mm camera market, however, was split in two tiers: the autofocus snapshooters, which are becoming increasingly popular among amateur photographers, and the 35mm SLR.

"The autofocus sold particularly well in the second half of the year primarily because of its simplicity and ease of use," explains John Crandall, operations manager for the Foxboro, Mass.-based Underground Camera shop chain. The autofocus snapshooters (such as the Canon "Sure Shot") have continued to log strong sales in 1983, Crandall adds. "We can't get enough of them."

Meanwhile, the 35mm SLR growth trend has run head-on into an oversaturated market. Manufacturer shipments in 1982 were up only an estimated 3.8% and some observers, such as Dean Witter photo analyst Eugene Glazer, feel sales will remain flat despite the latest scramble among manufacturers to introduce innovations.

Market share by dollars*



**Merchandise and photofinishing*

Source: The Wolfman Report

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$245	$285	$486
Annual turnover	2.3	3.8	4.2
Gross margin	21.7%	22%	16.7%

Source: *CSA* research

Growth areas

- **Disc cameras**
- **35mm autofocus cameras**
- **New color films**
- **Photofinishing**

"The simple fact is that the Japanese manufacturers are producing more 35mm cameras than people want," Glazer told a Photo Marketing Association audience earlier this year. "After several years of strong growth, the market is obviously mature and by and large the innovations will not generate the 35mm growth the industry has experienced in the past."

In other categories, photofinishing appears to be a big money maker for retailers. The market was up an estimated 12.4% in 1982 and 20.9% since 1980, according to the authoritative Wolfman Report. More importantly, the report notes, gross margins in photofinishing were more than 50% compared with an estimated 20% gross margin for the photo/camera classification.

But the boom in one-hour photo labs is making it increasingly difficult for GMers to grab a larger share of the photofinishing market (discounters and department stores account for about 16% of the category). Some retailers, though, are considering installing the 60-minute equipment while K mart is already experimenting with the units in some of its Detroit-area stores.

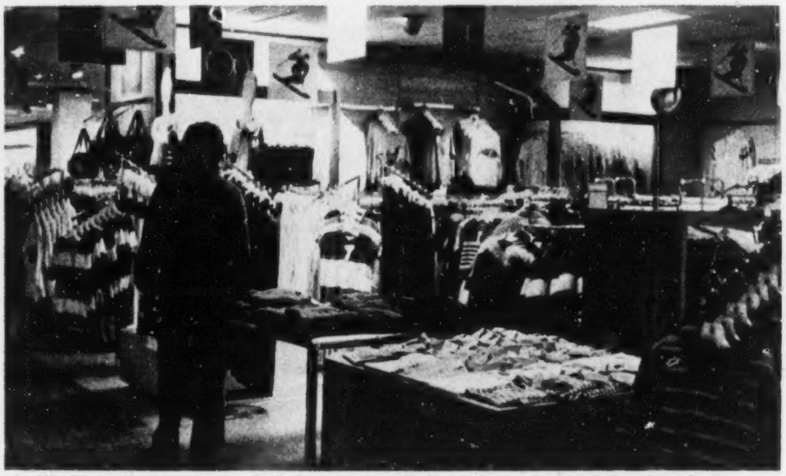
Some photo categories continue to flounder.

Darkroom equipment sales are flat while movie cameras and projectors are steadily being replaced in the market by video systems. Home motion picture systems, says Underground Camera's Crandall, "are a dead issue."

The instant camera classification also had its problems which began in 1979. Unit shipments dipped an estimated 10% in 1982 and 45.1% since 1978. Insiders say the price of instant film must drop before the category enjoys a significant recovery. ☐

MEN'S WEAR

Sales: $20.5 billion



***Activewear, once again,** led the pace and showed no signs of slowing down.*

Lack of newness hampers growth

Men's wear sales crept ahead by only 3.5%, to $20.5 billion in 1982. While some categories were stellar performers, there were no new dominant styles or trends. The 50's craze, which began last year, only appealed to a small percentage of fashion-forward young men. Indeed, the hot categories of 1981 repeated as sales leaders last year. And the same lines continue to lead sales in '83.

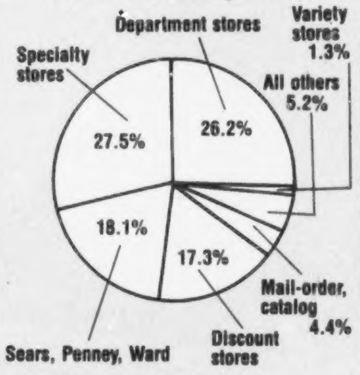
Activewear—mostly spectator styles now grouped under the athleisure heading—generated the most excitement from discounters to department and specialty stores. Basic fleece, private label knockoffs and designer coordinates continued to sell briskly.

But activewear lacked new treatments and styling. The acknowledged trend-setter was once again Merona, especially influential with its side-piped, pull-on pant that appeared at all price points.

Activewear has become a year-round seller. "It was our leading growth area," says Walter Rossi, exec. vp/merchandising at Hayward, Calif.-based Mervyn's. Active moved out of the store in both spring and fall. "Fleece sweatshirting led the way in the fall," says Rossi, but running shorts kept active sales active through the warmer months.

Active shows no signs of tailing off this year. "It's still a rapidly growing classification," says Morty Morrow, mm/men's and boys' at Reading, Pa.-based Boscov's. "Everybody's getting into it, so it's all over the place. However, the market's not saturated yet."

Market share by units



Source: *CSA* research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$177	$133	$115
Annual turnover	2.8	2.9	3.0
Gross margin	43.5%	40.1%	35.6%

Source: *CSA* research

Growth areas

- **Activewear**
- **Dress furnishings**
- **Rugged wear**
- **Sweaters**

At the opposite end of the fashion spectrum from athleisure, dress-up recorded some significant gains last year. Leading the way were dress furnishings such as shirts and ties. Collar treatments, expanded color offerings and natural fabrications boosted shirt volume, with ties as an add-on sale. Men became more adventurous in their choice of shirt colors and styles. Boscov's Morrow was surprised by the popularity of contrasting-collar shirts in his relatively conservative market.

Dress furnishings at Mervyn's chalked up their second straignt year of growth, says Rossi. The overall personal furnishings area exhibited "truly unexpected, tremendous increases," he notes, since Mervyn's didn't try to promote the area.

While growth in furnishings, and in particular shirts and ties, is usually indicative of men sprucing up old suits instead of buying new, tailored clothing also improved in '82. Growth came mainly in moderate price ranges. Promotionally oriented stores like Mervyn's and Boscov's picked up some of the clothing dollars.

Clothing was generally weak at department stores, which lost some business to Sears and Penney, both of whom had Levi's separates. The two catalog chains also made strong inroads with their higher-priced private labels, like Sears' Arnie and Penney's Stafford and Gentry lines. Philadelphia-based Strawbridge & Clothier experienced a good clothing year, "contrary to the market," says Nick Eggleston, dmm/men's wear.

Bottoms bottomed out at many chains. Bill Hart, vp/gmm men's wear at Minneapolis-based Dayton's, termed bottoms "disappointing," citing a lack of newness. Despite new introductions in overdyes, black denim and stripes, jeans sales were poor overall except for those chains which had already established a strong basic bottoms business. Activewear, once again, was the major influence on cord and denim jeans. □

SPORTING GOODS

Sales: $13 billion

***Camping equipment** has caught fire among fitness-minded consumers.*

Fitness stimulates healthy sales

The general sporting goods market grew 0.9% in 1982 to $11.8 billion, with bicycles kicking in an additional $1.2 billion, for a total of $13 billion in sales, a 1.6% increase over '81.

If this doesn't sound like much for an area ballyhooed by retailers as phenomenal last year, the answer lies in lower average price points on many items due to increased promotional activity and sharply declining sales in categories like roller skates, racquetball and billiards.

But it was exercise equipment that once again led the pack in sales growth, a fact that hasn't escaped the notice of today's savvy retailer.

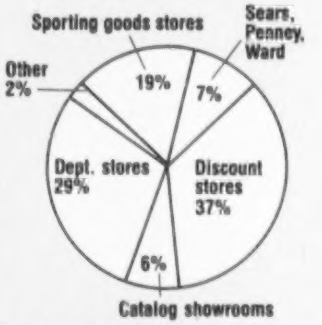
Old familiar barbells and jump ropes, while still good sellers, are being pushed over to make room on the shelves for more fashionable, trendy items like color-coordinated weights, inversion equipment and family gym systems. Every level of the market, from discounters to department stores to sports specialty shops, has felt the effects of this surging interest in health and fitness.

"All types of exercise equipment were excellent in '82, and based on initial indications this year, we expect the same good results," says a spokesman for K mart.

Thomas Doyle of the National Sporting Goods Association believes that exercise equipment will continue to be strong. "There's advanced equipment, like home rowers, which will spark continued growth," he notes.

Exercise bikes and jogging trampolines, particularly good sellers in '82, are expected to perform well again this year. "Our tramp business is phenomenal. We stock two sku's and can't keep up with demand," says a buyer for a Southwestern discounter.

*Market share by units**



**Excludes apparel*
Source: *CSA* research, National Sporting Goods Association

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$58	$85	$100
Annual turnover	1.9	3.0	2.8
Gross margin	34%	32%	29%

Source: *CSA* research

Growth areas

- Exercise equipment & apparel
- Camping
- Soccer

"We're trading up in price points and to more sophisticated equipment," says Bill Reed, buyer for Ohio-based catalog showroom Jewel Mart. "We did well with exercise bikes in the $90 to $120 range. Business was excellent, and we're expecting additional increases this year, partially from more expensive gym pacs and rowing machines."

In other categories, buyers report good gains in soccer balls and equipment. Football products suffered due to the NFL strike, but the buyer for a Northeastern specialty chain feels this year anything with an NFL logo will be exceptional.

A spokesman for a Midwestern discounter reports that hunting, fishing and camping are going great guns. "We find it's necessary to carry name brands in camping equipment because the customer associates it with quality," the buyer says. "Out in the wilds somewhere, he doesn't want to get stuck with an inferior product."

Bicycle sales proved to be disappointing to many retailers again this year (total unit sales declined 24%). John Chase, president of Child World, reports flat store-for-store bike sales in '82, but the first quarter of '83 has produced some growth. "We're hopeful we'll see a strong summer," Chase says. "While our major volume is in BMX bikes, lightweights are showing some activity."

Athletic apparel, often merchandised with or near sporting goods, posted sizable gains in '82 with the strongest showing in athletic footwear, growing 6% to $1.9 billion.

The continued interest in health and fitness, further stimulated by the publicity surrounding the 1984 Olympics, is expected to keep the sporting goods industry expanding. A 4% growth is forecast for the industry as a whole, with apparel categories growing even faster, approaching a 5% increase in '83. ☐

CONSUMER ELECTRONICS

Sales: $24.5 billion (incl. computers)

***Phones, particularly the remote models,** are ringing up healthy profits.*

'Quieter' electronics sound off

The explosive growth in sales of home computers overshadowed consumer electronics departments last year, but other categories chalked up equally impressive, if less heralded, gains.

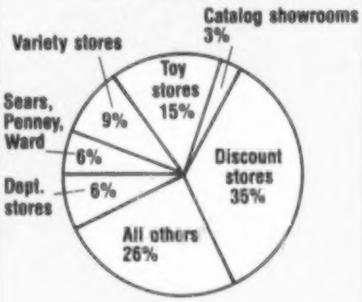
Overall, electronics retailers say sales grew by 22.5% to $24.5 billion, and projections for 1983 are even better. Industry analysts say total department sales could easily top $30 billion at retail by year's end. "This whole business is incredibly hot right now," notes one New York-based department store dmm. "Our sales of department staples, like televisions and home audio systems, are already way ahead of last year."

Probably the single-fastest-growing item in electronics is the telephone. Increasing publicity over the impending breakup of A.T.&T. and personal telephone ownership have caused a tremendous boom in sales of telephones at all price points.

"Already, we're seeing the market break down into three categories: basic units, cordless telephones and, the newest star on the scene, clock-radio-telephone combinations," notes Frank Remalely, electronics buyer for G. C. Murphy.

As many as 15 million telephones are expected to be sold this year, with remote models accounting for about 20% of the total. Telephone accessories like automatic dialers and answering machines are also strong with sales expected to reach close to $400 million. The total telephone and accessory market may surpass the $2 billion mark if the skyrocketing trend continues.

Market share by units



Source: *CSA* research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$320	$295	$265
Annual turnover	4.0	4.3	5.0
Gross margin	22%	22%	19%

Source: *CSA* research

Growth areas

- Telephones
- Video cassette recorders
- Personal audio players

Home stereo sales, after a two-year downturn, are also expected to increase dramatically in 1983. Already sales of single-brand rack systems are soaring in markets as diverse as New York, Atlanta and Dallas. The only cloud on the home audio horizon is what effect the new compact disc digital audio players will have on the market. Some analysts say the CD will eventually spell the end of traditional analog record turntables, but they point out this will be some years away.

Personal portable stereos are still chalking up tremendous sales gains, despite the fact that major markets on both coasts are already saturated with the mini-stereo tape player-AM/FM receiver units.

Sales of the personal portable units rose more than 40% last year and manufacturers say 1983 should see a comparable gain. And retailers say the portables are well on their way to becoming staple items for electronics retailers. Even with more than 13 million personal portables in use today, the bulk of the potential market remains untapped.

Last year, about 220,000 video disc players were sold to consumers, making them the fastest-growing product in consumer electronics history with a 1,100% increase compared to 1981. Despite this, many retailers remain skeptical of the video disc's future. "If the price drops to around $199 for machines with stereo sound, then they might really catch on," notes a Texas department store dmm. "But for now, the price point is still too high for what they offer."

Sales of prerecorded disc movies, though, have been phenomenal. About six million units were sold last year, according to the Electronic Industries Association. "We moved them out of electronics and into the record department and sales have been incredible ever since," adds the Texan.

Video cassette recorders are still the stars of home entertainment. Sales to dealers jumped 49.5% last year and retail sales were close behind. ☐

TOYS

Sales: $9 billion

***1983 is slated as the year** that the boys' toy market explodes in popularity.*

Video invaders capture market

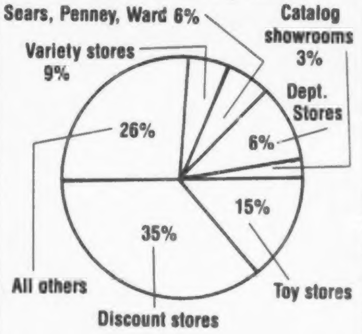
The toy industry received a mixed set of signals from the buying public in 1982. Video games zapped several traditional toy categories, capturing 31% of the total retail dollars spent, up from 19% in '81, with total toy sales up 28.6% to $9 billion.

Traditional toy shipments slipped 7%, especially items like trucks, road racing sets and plastic model kits normally purchased by young boys. These kids took their quarters to the corner candy store and played arcade games or stayed home, playing on their own video game systems.

With the general economy and high unemployment reducing the discretionary dollars available for toys, games and entertainment, retailers saw $20 to $30 toys sit on the shelves while video software in the same general price range walked away. Once again, family life centered around the TV, not strictly for watching programs but for playing video games.

Toy supermarkets like Toys "R" Us and Child World/Children's Palace, reacting to the growing demand for electronics, jumped on the video game/home computer bandwagon, capturing an estimated 4.5% of the total market. Seen as an important move in expanding their customer base, these normally child-oriented stores now appeal to teenagers and adults as well, giving them more long-term recognition and the opportunity for repeat customers who return to buy peripheral equipment and software.

Market share by units



Source: NPD Research Inc.

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$62	$70	$80
Annual turnover	2.3	2.7	2.8
Gross margin	34%	32%	32%

Source: *CSA* research

Growth areas

- **Video games/home computers**
- **Licensed products**
- **Boys' toys**

There were, of course, other toy success stories in '82. The second most important category—licensed products from Smurf to Strawberry Shortcake to ageless Disney charcters—may even rival electronics for market dominance in '83, especially now that some softening is seen in video sales.

Dolls, as a general category, were sensational, and old reliable Barbie enjoyed her best year ever. "She's almost gained recognition as a collectible," says John Chase, president of Child World, "with even the newest models off to a great start this year."

Action figures, particularly the G.I. Joe and Masters of the Universe series, grabbed market share, giving rise to speculation that the boys' toy market will expand this year, fueled dramatically by another round of *Star Wars* mania. A spokesman for Montgomery Ward sees '83 as the year that boys' toys explode in popularity.

Preschool toys performed well, as did plush. John Chase notes that his stores were not strong in plush in '82, but adds that there is great growth potential in this area that they will aggressively pursue this year.

Most retailers expect the familiar teddy bear—now available in all shapes, sizes and modes of dress—to be a strong seller this year.

But many retailers, hurt by sluggish sales last year, are approaching '83 with caution, playing a waiting game to see which toys or licenses are surefire winners before investing heavily.

"We're buying less dollar-wise because we had a lot left over. It was not an exceptional year for us. This year we'll be cautious, but we feel the toy industry is ready for a revival," says a buyer for a Northeastern variety chain.

Toy Manufacturers of America chairman Dick Grey agrees and predicts that 1983 will bring about an improved sales picture. "The video category will continue to prosper, but I expect the volume of traditional toys to rebound with an anticipated growth of 8% to 10%." □

ELECTRIC HOUSEWARES

Sales: $14 billion

***Business went to aggressive** retailers who had key items at sharp prices.*

Electrics seek turn-on item

Small electrics had a fair year in 1982, turning in a 6.1% increase with volume hitting $14 billion. Although retailers say it was a year marked by no real "hot" items, business went to those who were aggressive and had key items at sharp prices.

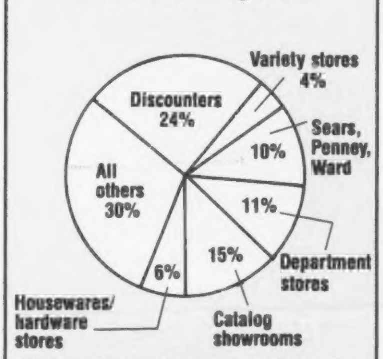
Like the majority of retailers, Zodys housewares mm Ken Mien says his chain had a good year despite an increase of promotions. "There's not a lot of margin dollars in small electrics," he says. "We tried all sorts of gimmicks. We gave away mugs with purchases of selected coffeemakers. This was less costly than markdowns. Also, the number of manufacturer rebate offers available showed value."

The outlook for '83 is promising with two new categories—Belgian waffle makers and General Electric's Spacemakers—emerging, and consumer interest in ceiling fans on the incline. Retailers have fine-tuned mixes and are currently scrutinizing individual lines to maximize holiday sales.

At Jordan Marsh-New England, dmm Tim Hopkins says, "We've keyed in on certain classifications and developed a base. Now we're continuing to maximize these key categories while supporting the basics."

May Co. California is trying something different. "We're tightening our assortments to lower the number of sku's carried," notes Ken Yoshikawa, housewares dmm. This should improve the department's turns while providing increased funds for expansion of other housewares classifications.

Market share by units



Source: National Housewares Manufacturers Assn. and *CSA* research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$125	$115	$110
Annual turnover	2.4	2.7	3.3
Gross margin	22.1%	18.0%	17.4%

Source: *CSA* research

Growth areas

- **Spacemakers**
- **Belgian waffle makers**
- **Ceiling fans**

A recent innovation in housewares is G.E.'s Spacemakers, a line of small electrics that installs underneath kitchen cabinets, off the countertops. Initial customer response to the first introduction, a can opener, has retailers eager to test the expanded line—three coffeemakers, an electric knife and a wall-mount can opener.

"Spacemakers is a real good category," says Mark Quick, housewares dmm at Sanger-Harris. "In today's kitchens, countertop space is at a premium."

Zodys mm Mien agrees. He anticipates carrying the two lower-priced models (suggested manufacturer's retails of $59.98 and $74.98) for in-store excitement. However, he says, "The price points are rather high for us. They'll have to come down some before we'll see volume business."

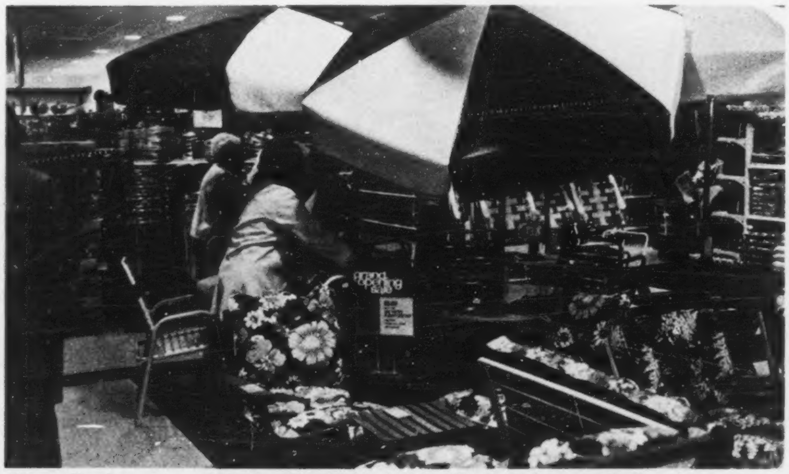
Belgian waffle makers is also a growing category. While some retailers admit this item may not appeal to their customers, the majority say their stores will feature one or two sku's. "I don't anticipate them blowing away, but we'll have them," says Don Raplinger, housewares buyer for Mattingly Stores.

Currently, he's looking at Rival and Munsey as suppliers, the same two chosen by Macy's New York. Macy's displays Rival's Belgian Waffle Baker for $50 and Munsey's Belgian Waffler for $45 among its two electric griddles, four sandwich makers, and one Pizzelle waffle maker in its small electrics department, against the back wall.

Lastly, merchants note that the ceiling fan business has not yet peaked. For some it was an underdeveloped or nonexistent category which was the case at the May Co.-Cleveland. Housewares dmm Jerry Warren expects to see this business grow firm roots within his division. He introduced the category with five sku's.

At Sanger-Harris, ceiling fans is already a proven winner. Housewares dmm Quick looks to his three-year-old business for sales expansion during 1983. ☐

Sales: $23.6 billion



***More display space** is being devoted to hot-selling outdoor patio furniture.*

Chemicals add fuel to sales surge

It was another strong year for the lawn and garden classification as sales increased an estimated 28.3% from $18.4 billion in 1981 to $23.6 billion in 1982. "It was a good year," said one buyer, "a *very good* year."

In 1981 sales were up in maintenance trimmers along with blowers and ultraviolet insect killers. While insect killers remained popular among consumers, industry insiders reported strong sales in lawn and garden chemicals, hand tools (which lagged in 1981), patio furniture and a resurgence in the power mower category.

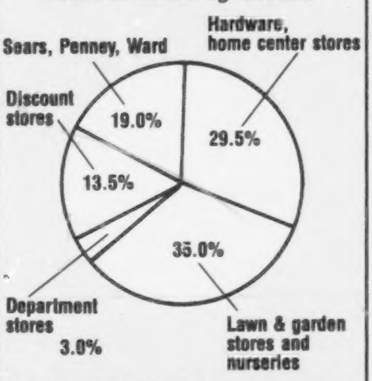
Sales of insecticides, herbicides and fungicides were strong—especially in the Northern States, according to a three-year survey of retailers commissioned by Spectrum Home & Garden Products.

From 1980 to 1982, retail lawn and garden chemical sales were up 42%, according to the report which noted that Southern markets were the strongest in sales of outdoor insecticides.

Not surprisingly, the chemical sales jump was also reflected by increased activity in planting and nursery stock. K mart also reported strong sales in fertilizer, although poor spring 1982 weather hindered nursery stock sales.

Chicago-based Sears reported sales strength among specialty, lawn and garden power tools and electronic bug killers. Replenishing products and fertilizer are mature, but stable categories, says a Sears spokesman adding that fertilizer is being tabbed as a growth area.

Market share by dollars



Source: *CSA* research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$125	$145	$135
Annual turnover	2.9	8.1	14.4
Gross margin	23.1%	42.0%	45.0%

Source: *CSA* research

Growth areas

- **Bug zappers**
- **Chemicals**
- **Patio furniture**
- **Power mowers**

Power mowers, despite more stringent and costly Federal safety regulations, were also a growth classification last year and retailers expect the surge to continue through the end of the '83 lawn care season. Rick Russell, a buyer for Bentonville, Ark.-based Wal-Mart, says the discounter logged "significant sales increases" in its power mower line.

Outdoor patio furniture was also a strong classification for Wal-Mart, Sears and other retailers, many of whom are devoting more display space to the leisure line.

"Patio furniture was a plus for us, we just had some tremendous increases," explains Russell. "We sold better quality merchandise. The better top-end lines were more promotional and we changed a couple of assortments and styles.

"There's more of a fashion trend in the industry right now," Russell continues, "and we see some good possibilities for growth in this area."

While Russell says sprinkler sales were a "disappointment" for Wal-Mart in '82, other retailers reported strong hose and lawn sprinkler results. In most cases dry weather was a determining factor in the spring sales surge.

"Sprinkler sales were great last year and we're doing well again this year," says a buyer for a Northeastern discounter who adds that the oscillating sprinkler lines led the classification.

But there were some disappointments within the lawn and garden category.

Flexible line trimmer sales were down, for example, as the market has begun to mature (although nonelectric hand trimmer sales were up). Small barbecue grills, notably the traditional favorite, the Hibachi, also lagged as larger, gas barbecues enjoyed strong sales.

The 1983 lawn and garden selling season remains a question mark, however. The generally wet spring nationwide has dampened sales of outdoor products and buyers are counting on a dry summer and fall to help recoup the early-season losses. ☐

NONELECTRIC HOUSEWARES

Sales: $26.2 billion

***Merchants plan to get more** mileage out of basic housewares like cookware.*

Dinnerware serves up profits

Last year was a year of small growth in nonelectric housewares. Industry figures show a slight gain of 2.3% resulting in $26.2 billion in sales.

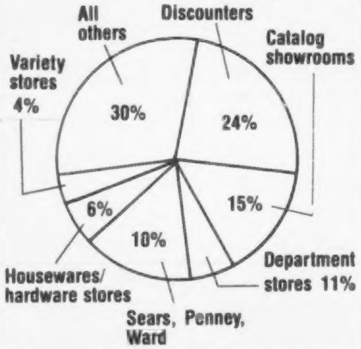
The ailing economy, a lack of direction, and overemphasizing one category at the expense of others hurt many housewares merchants, many buyers now concede. Yet some retailers managed to squeeze some growth out of the business and remain optimistic that 1983 will be an even better year. For the most part, merchants are looking to get more mileage out of traditional housewares such as cookware, dinnerware, cutlery and gadgets.

"Nineteen eighty-two was a good year in nonelectrics," says Mark Quick, housewares dmm at Sanger-Harris. "We identified key items as significant volume makers, representing true value to customers."

For instance, in cookware Sanger-Harris offered SilverStone promotional sets. A seven-piece Betty Crocker set from Regal did tremendous business, Quick notes. He plans on continuing this business while concentrating more on better cookware this year.

The May Co. California also had a good year, says housewares dmm Ken Yoshikawa. To keep sales momentum going, Yoshikawa says that the May Co. will become more aggressive in cookware and tabletop. His stores will be introducing Mikasa cookware to fill in upper price points and going after the promotional business in dinnerware and glassware.

Market share by units



Source: National Housewares Manufacturers Assn. and *CSA* research

Productivity breakdown			
	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$110	$93	$96
Annual turnover	1.9	2.0	2.4
Gross margin	40%	31%	31.9%

Source: *CSA* research

Growth areas

- Cutlery
- Dinnerware
- Cookware
- Gadgets

At Bonanza Stores and Zodys, housewares executives say they too will be turning to decorative cookware for growth. While Bonanza has a strong SilverStone program, mm David Crosland says, "We'll be stepping up cookware to hot colors and decorative lines." Zodys' mm Ken Mien looks to porcelain on steel, particularly those that have matching dinnerware lines, to improve his sales.

Tabletop—which includes dinnerware, glassware and flatware—is also expected to be a top performer for 1983. Retailers say it provides better than the average housewares gross margins and offers customers fashion through color and styling.

At Buffum's, like the majority of housewares retailers, dmm Rick Fully says he's expanding his tabletop area concentrating mostly on dinnerware. Last year, Buffum's housewares did not include this particular business, says Fully. To correct this, Fully plans an entry with two to three resources totaling between 20 and 40 sku's.

In cutlery, merchants anticipate good profits and growth from both open stock and sets. Cutlery takes up little floor space, carries high margins and for the most part is a "blind" item when it comes to price. It also lends itself to promotions.

For example, Abraham & Straus recently devoted a full catalog page to this classification. It featured open stock on J. A. Henckel knives and four cutlery sets. Prices on the sets were $120 reduced to $69.99 for a Homestead Deluxe knife set with slant block; $67 reduced to $35.99 for a six-piece L. C. Germain set with block and cleaver; $50 reduced to $24.99 for eight Old Homestead steak knives and block, and $70 reduced to $34.99 for a seven-piece Old Homestead set.

Lastly, retailers are placing an emphasis on gadgets, hoping to capitalize on the renewed consumer interest in gourmet cooking. At Bonanza Stores, this translates into an expanded department. Housewares mm Crosland says he's increased the department from 87 sku's to 216 "to create better impact." ☐

HOBBY/CRAFTS

Sales: $3.1 billion

***The invasion of the video game** craze snatched profits from hobby/crafts.*

Hobby scores late sales rebound

The first three quarters of 1982 produced sluggish hobby/craft sales. But retailers are generally optimistic due to a rebound first noted in the fourth quarter which has continued through the first quarter of '83.

"Two things really hurt the hobby/craft industry last year," says Dick Bennett of The Hobby Industry of America. "The video game craze and the generally harsh economic environment."

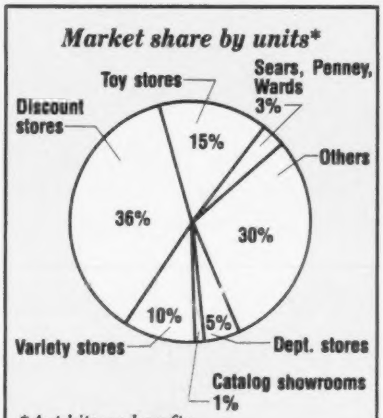
Sales dropped 11.4% to $3.1 billion, but Bennett predicts 13% to 14% growth this year based on the renewed commitment among retailers carrying crafts and the opening of new channels of distribution—particularly sewing outlets.

Danners, a discount and variety store chain headquartered in Indianapolis, has strengthened its craft departments, especially in the variety stores. "We won't stock a craft at all unless we can offer the customer a complete assortment and all the equipment," says Danners craft buyer Jon Jolivette.

Danners uses endcaps as well as storyboards above the gondolas to display the latest projects and holds weekly classes to teach consumers what's new and popular.

But the real key for Danners is personalized service. Along with the craft coordinator, the salespeople know crafts and are able to help beginners and experts alike.

Many sewing retailers, noticing the increased interest in crafts, are jumping on the bandwagon to take advantage of the natural spillover from crafts to sewing. "Growth is available in the crafts area as there are many projects that appeal to a beginner who doesn't own a sewing machine or have any real sewing skills," says Woolworth buyer Hank Curran.



**Art kits and crafts*
Source: NPD Research Inc.

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$46	$52	$60
Annual turnover	1.4	1.2	3.3
Gross margin	42%	39%	43%

Source: *CSA* research

Growth areas

- **Combination needlecraft kits**
- **Teddy bears**
- **Cutouts**
- **Adventure gaming**

"A customer starts with a simple craft project and finds that her skills are more than sufficient," says Bob Humph[illegible]am for Northwest Fabrics, a 75-[illegible] sewing specialty chain. "The next step is simple home dec projects which builds an interest in crafts and leads into more complex sewing projects.

"Crafts are really like the fashion business," Humphrey adds. "Something is big for awhile, runs through its cycle, and as it dies out, something new is already there to attract the consumers' attention."

Currently riding the crest of the popularity cycle in crafts is candlewicking while chicken scratch—smocking-like stitching on a gingham background—is just beginning to show activity. Retailers are noticing growing demand for kits that combine two or three of the most popular crafts into one project.

Yarn has remained, and retailers feel will remain, a staple of the business. "It's our best area and represents about 80% of our total space," says Marlene Rosco, buyer for New York-based Lamston's.

Popular licensed character cutouts were excellent sellers last year and new arrivals, Care Bears and Shirt Tales, are expected to make this an important growth area. The continued Americana feeling in crafts spotlights the teddy bear—now offered in kits and in a Vogue pattern which can be sewn in fabric or fake fur—as the newest superstar.

Although needlecrafts turned in good sales gains so far this year, retailers also expect other neglected areas to do well again in '83.

Young boys, not popping quarters into arcade games as furiously as before, are showing renewed interest in models and adventure gaming, a move that bodes well for this troubled business if the industry is to recoup sales that were lost in '82. ☐

First-quarter earnings show strength

Chain	'82 (000 omitted)	'83 (000 omitted)	% change
Penney	55,000	58,000	+ 5.5
Sears[1,2]	(17,100)	(12,700)	—
Ward	(44,000)	(19,000)	—
Subtotal	(6,100)	26,300	—
K mart	5,900	44,600	+ 656.0
G. C. Murphy	63	1,702	+2,601.6
Rose's	1,415	3,011	+ 112.8
SCOA (Hills)	914	(397)	—
Wal-Mart	18,184	27,503	+ 51.2
Woolworth[1,3]	(5,000)	1,000	—
Zayre	2,000	6,700	+ 235.0
Subtotal	23,476	84,119	+ 258.3
Allied	2,400	13,100	+ 445.8
Associated Dry Goods	469	3,409	+ 626.9
Carter Hawley Hale	5,300	6,200	+ 17.0
Dayton Hudson[3]	16,484	21,728	+ 31.8
Federated	29,133	42,986	+ 47.6
May Co.	11,545	20,274	+ 75.6
Mercantile	8,772	11,892	+ 35.6
Subtotal	74,103	119,589	+ 61.4
Cole National	(915)	(610)	—
Oshman's	(270)	(65)	—
Toys "R" Us	2,506	5,357	+ 113.8
Subtotal	1,321	4,682	+ 255.4
The Gap	563	1,695	+ 201.1
The Limited	4,272	9,905	+ 131.9
Miller Wohl	4,329	3,685	− 14.9
Subtotal	9,164	15,285	+ 66.8
Total	101,964	249,975	+ 145.2

[1] *Consolidated operations only.* [3] *Continuing operations only.* *( ) indicates loss.*
[2] *U.S. merchandising only.*
Source: *CSA* research

K mart, ADG lead profit comeback

Last year discounters were stunned by disastrous first-quarter profit results. But thanks to an improving economy, belt tightening and favorable year-to-year profit comparisons, the discount group is back on top with their first-quarter results.

Only Columbus, Ohio-based SCOA (Hills) fared poorly among discounters, posting a net loss for the first three months of the fiscal year.

Meanwhile, K mart, the nation's largest discounter, increased its profits almost seven times—the second-highest, first-quarter profit in the chain's history. K mart's net income was $44.6 million compared with the record $45.6 million for first quarter 1979.

Other strong performers were Framingham, Mass.-based Zayre and McKeesport, Pa.-based G. C. Murphy.

The department store group also improved profits. Led by Associated Dry Goods and Allied Stores, the six-company classification's profits were up 61.4%. In 1982, first-quarter profits for department stores dropped 27%.

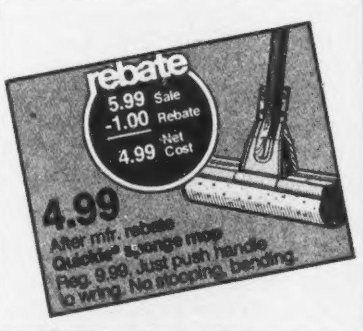
Specialty store and apparel chains also fared well. The specialty outlets, thanks to Toys "R" Us, improved first-quarter profits by 48.6%. Among the apparel group, The Gap and The Limited posted hefty increases while Miller Wohl's profits slumped 14.8%.

Profits for the 23-chain total were up 145.1% for the quarter compared with a 15.9% decrease for the same period last year.

Rebates top coupons as cents-off strategy

Hassles aside, indications are that manufacturer rebates are a more appealing bait for consumers than coupons. And while neither vehicle proves a heavyweight in attracting customers to sample new products, rebates, again, carry more clout.

A recent study conducted by *The Journal of Marketing* found that only 3% of all clip-out coupons are ever redeemed. Slightly more, 5%, of the pop-up variety (those that appear between the pages of magazines) are redeemed and 10% of all coupons that arrive via the mail are turned in.



***Manufacturer rebates are** a more appealing bait than coupons.*

A just-released survey from the National Mass Retail Institute sponsored by Du Pont found that 12% of all rebates are redeemed—a figure stronger than it appears considering that 26% of all consumers do not turn in rebates with nearly half that total blaming the trouble involved in getting the money back.

Just as interesting is the fact that the strongest area for coupons, those that come on or in the package of the product—with a redemption rate between 15% and 20%—indicates customers who have already purchased the product are more than willing to get a little cash back. But that doesn't help much in trying to get shoppers to try a product they've never purchased.

The NMRI poll, on the other hand, found that 28% of the consumers purchased a product they had never tried before that featured a rebate.

Durables power May sales hike

Led by big-ticket durables, sales for general merchandise chains tracked by *CSA* were up 10.6% in May. The latest sales figures are further evidence of a moderate, consumer-led recovery aided by an improved housing and employment picture as well as tax refund checks.

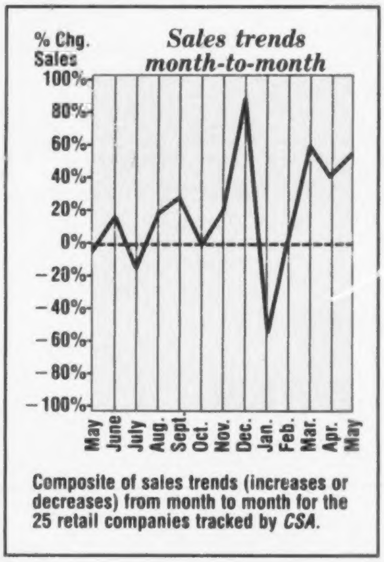
Two of the nation's leading hard lines retailers, Sears and Montgomery Ward, again reported strong sales increases in household-oriented durables. At Sears, which logged a 6.3% total sales hike, volume of big-ticket items was up for the eighth consecutive month while Ward reported durable goods strength for the sixth consecutive month.

"Sears reflects what's going on in the economy better than most [GM] firms," notes Jay Levine, a Chicago-based retail economist. "It's in line with my expectations which clearly call for an upturn, but not a boom."

The early, post-recession strength in durable sales, Levine adds, is a reversal of the typical recovery trend where small-ticket items are the first to benefit from improved economic conditions. "The sales patterns are unique as home-oriented durables and semi-durables are moving up handsomely," he explains. "Small-ticket items are not leading the way in this recovery."

K mart was another strong performer in May. The Troy, Mich.-based discounter recorded a 10.3% sales increase (same-store sales were up 9.5%) as the chain continued its turnaround effort marked by new merchandising strategies, cost cutting and diversification. K mart's figures were encouraging because the sales hikes were matched against moderately strong sales periods in '81 and '82.

Solid sales were also turned in by R. H. Macy with a 17.8% same-store increase; New York City-based Mercantile logging an 11.8% same-store sales hike; Radio Shack's (a Tandy division) domestic units were up 14% on a same-store basis, and The May Co.'s department store group recorded an 8.7% same-store increase.



Composite of sales trends (increases or decreases) from month to month for the 25 retail companies tracked by *CSA*.

Sales finally coming up recovery

		MAY SALES*		STORES		4-MO. SALES*		
MAJOR CHAINS	% change	1983	1982	1983	1982	1983	1982	% change
SEARS	+ 6.3	1,644,266	1,546,622	824	848	6,329,474	5,966,842	+ 6.1
PENNEY	+ 3.6	744,000	718,000	2,039	2,076	2,862,000	2,798,000	+ 2.3
WARD[1]	+ 3.6	450,939	435,304	377	388	1,648,179	1,612,389	+ 2.2
FEDERATED[5]	+ 14.7	511,500	446,100	N/A	N/A	2,352,400	2,066,100	+ 13.9
DAYTON HUDSON	+ 23.6	484,300	391,700	1,031	891	1,816,044	1,538,649	+ 18.0
MAY DEPT. STORES	+ 12.7	308,400	273,600	1,497	1,309	1,155,200	1,008,000	+ 14.6
R. H. MACY	+ 17.8	266,700	226,400	92	92	1,047,200	874,700	+ 19.7
ALLIED STORES	+ 16.0	278,500	240,000	547	520	1,040,000	909,700	+ 14.3
CARTER HAWLEY HALE	+ 18.0	245,700	208,300	1,042	966	968,900	847,600	+ 14.3
ASSOCIATED DRY GOODS	+ 7.6	257,100	238,900	252	245	945,500	875,600	+ 8.0
MERCANTILE	+ 13.2	126,091	111,412	85	83	443,615	386,879	+ 14.7
K MART	+ 10.3	1,469,518	1,331,813	2,385	2,395	5,402,505	4,932,513	+ 9.5
WOOLWORTH	+ 4.2	407,474	391,120	N/A	N/A	1,535,388	1,483,792	+ 3.5
HOUSEHOLD MERCH.[2,3,5]	− 2.7	234,321	240,873	3,649	3,819	869,933	899,927	− 3.3
WAL-MART	+ 28.2	364,000	284,000	580	502	443,615	386,879	+ 14.7
T.G. & Y.	− 5.8	163,700	173,691	870	931	607,314	626,364	− 3.0
ZAYRE[4]	+ 12.7	187,550	166,454	672	607	706,288	597,588	+ 18.2
BRADLEES	+ 29.4	80,600	62,300	112	95	274,200	212,300	+ 29.2
MURPHY	− 1.0	65,113	65,792	417	435	253,708	261,313	− 2.9
ROSE'S	+ 21.2	80,933	66,766	244	238	238,126	205,020	+ 16.1
HECK'S	+ 9.1	38,110	34,947	120	113	133,469	118,396	+ 12.7
JAMESWAY	+ 18.6	31,638	26,666	75	65	109,876	92,101	+ 19.3
MELVILLE	+ 17.6	280,366	238,387	5,604	5,317	1,271,502	1,089,308	+ 16.7
TANDY	+ 16.8	189,983	162,696	N/A	N/A	775,404	633,604	+ 22.4
EDISON BROS.	+ 12.8	100,811	89,386	2,162	2,114	372,491	345,660	+ 7.8
THE GAP	+ 1.5	27,700	27,300	553	535	115,400	111,700	+ 3.3
TOTALS & AVERAGES	**+ 10.6**	**8,875,613**	**8,024,838**			**32,995,017**	**30,142,860**	**+ 9.5**

**000 omitted. N.C. = no change. N/A = not available.*

[1] Store number for full-line outlets only. [2] Includes 1,594 franchise stores (vs. 1,679 a year ago). [3] Includes T.G. & Y. sales. [4] Includes 265 Zayre stores (vs. 265 a year ago), 306 Hit or Miss stores (vs. 267) and 101 T. J. Maxx stores (vs. 75). [5] Excludes supermarket sales.

Top booksellers soar in 1982

The nation's top four bookselling chains all scored substantial sales hikes in 1982, according to the latest industry report by White Plains, N.Y.-based, "BP Reports."

B. Dalton, the nation's largest bookseller and a Dayton Hudson subsidiary, increased sales by 17.2% from $319.3 million to $374.3 million. The second-largest chain, Carter Hawley Hale's Waldenbooks, scored a 15.2% increase, with volume up to an estimated $360 million. Discounters Barnes & Noble and Landover, Md.-based Crown Books recorded 19.8% and 42.8% sales hikes, respectively.

Knoxville-based Gateway appeared in "BP Reports" top 10 with sales of $21 million, replacing Brentano's which filed Chapter XI in '82.

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Chain Store Age

GENERAL MERCHANDISE EDITION August 1983

Serving up profits through upscale discounting

Bradlees
CLOVER
CLOVER
RICHWAY
RICHWAY
TARGET

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TWO DOLLARS PER ISSUE

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Cover photo by Rick Barick

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A rock with a reason

This year's Pet Rock may turn out to be another rock—this one with a reason for being because the Keystone, a synthetic rock, actually has a purpose. A secret storage compartment holds up to four keys and offers a solution to where to keep the spare key.

The Keystone was created by Mary Ellen Pinkham, of household-hints fame. Stationery departments in several J. C. Penney stores and New York department stores are currently stocking it, at $5 retail. A Penney spokesman reports that the rock is doing very well in the stores that carry it.

'Made in U.S.A.' not what it used to be

Most Americans (85%) may be satisfied with the quality of manufactured products today, but according to a Whirlpool-sponsored survey of consumer attitudes, the fact that an item is manufactured in the United States has lost much of its importance as a quality indicator. "Made in America" ranked fifth among consumers as an "always important" key indicator of quality. Safety, workmanship, a warranty and materials all ranked higher.

And when asked what the *most* important indicator of quality was, "Made in America" was mentioned by only 14% of respondents.

American production significantly declines as an indicator of quality among better educated, younger and more affluent consumers. Only 5% of college graduates say it is the most important factor compared to 22% of respondents who have some high school education and 17% of those with an eighth grade or less education.

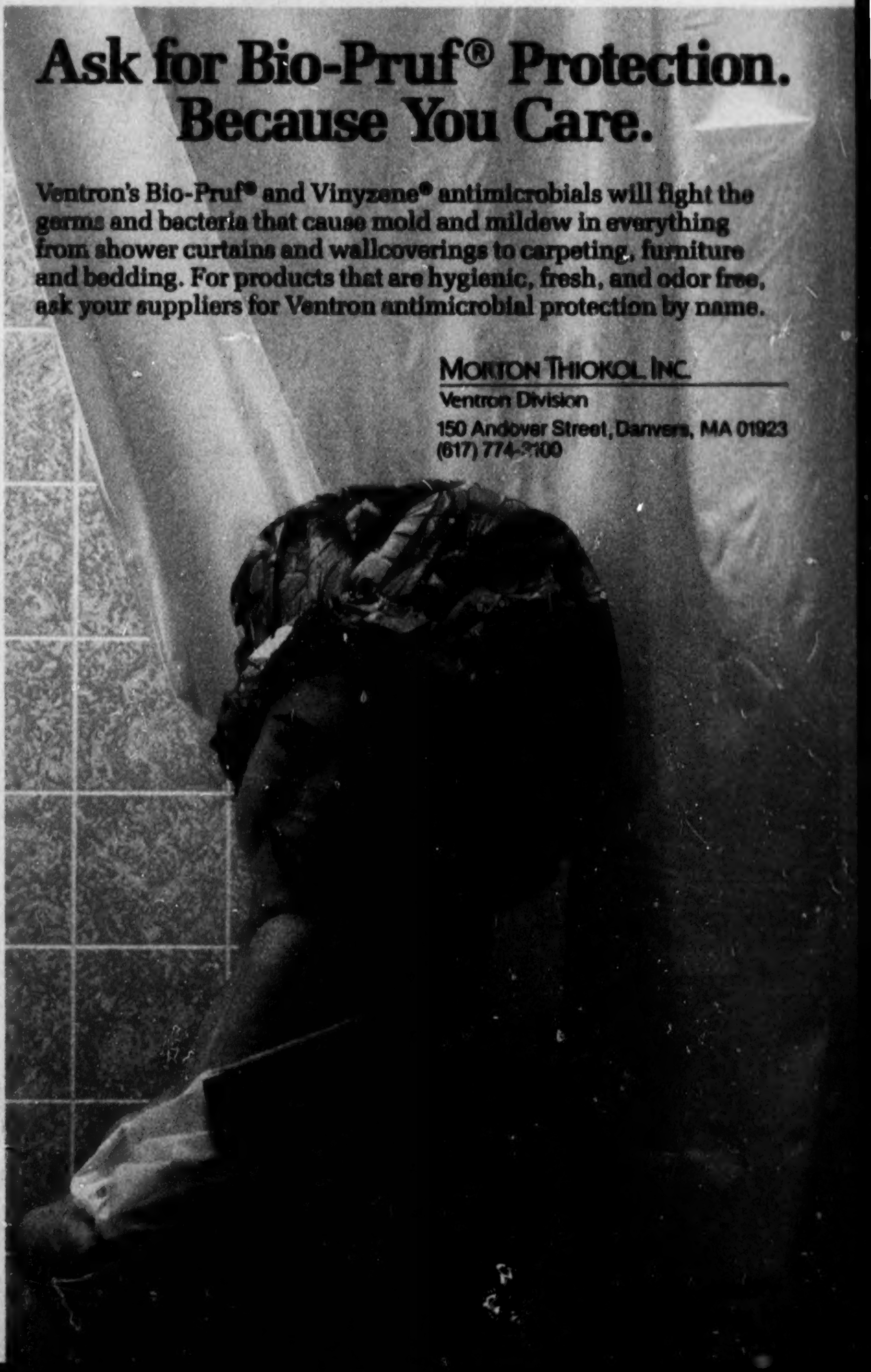
One in 10 respondents with family incomes above $25,000 say "Made in America" is the most important indicator of quality. Of those earning between $15,000 and $25,000, 15% say it is the key indicator.

Important indicators of quality

Indicator	Always Important	Usually Important	Most Important
Safety	86%	13%	14%
Workmanship	74	19	44
Warranty	69	18	7
Materials	66	22	16
Made in U.S.	40	24	14
High price	24	19	1
Innovative style/design	23	29	2
Packaging	21	20	0
High-status brand name	13	21	1
Widely adv. brand	11	22	1

Columns add up to more than 100% due to multiple responses.

Source: Whirlpool report on consumers in the 80's.



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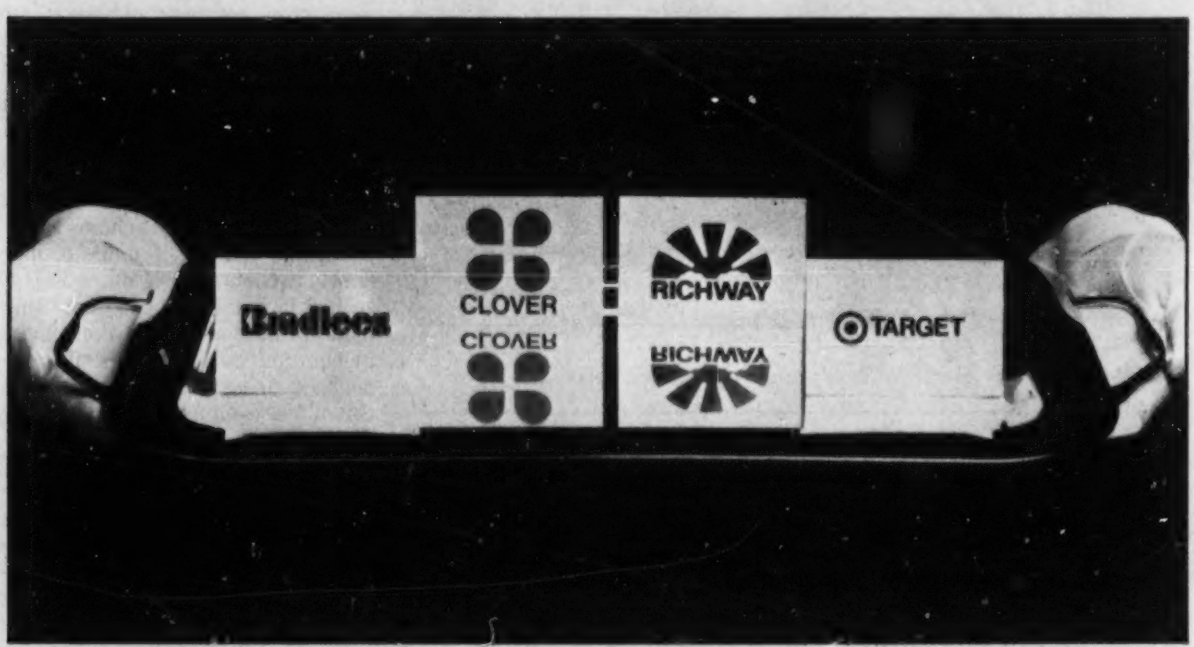
Chain Store Age

SPECIAL REPORT

Upscaling: the profitable direction for discounters

Quick to seize trends, upscalers combine savvy merchandising and ambience to produce the industry's best overall sales and profits



Sol Price and his warehouse imitators notwithstanding, discounting has come a long way since its barn-like, cavernous days of the 1960's.

The rush in discounting, as it is in all retailing, is to upscale—upgrade the merchandise with better quality. Get a higher price point. And, if the merchandise upgrading has a limitation imposed on it, either by corporate strategists or reluctant suppliers, at the very least upgrade presentation. The order of the day is to change the selling environment so that old goods look new and upgraded goods look like they belong.

Why the upscale push? The answer lies in the numbers.

A *Chain Store Age* analysis shows that upscale discount stores outperform other discounters.

The analysis covered 22 full-line chains with a total volume of $32.5 billion, or roughly 75% of the discount market. The chains were divided into three groups: upscale, traditional and transitional.

Upscale chains proved to be the market leaders, followed closely by the transitional stores and then, further back, by the traditionalists.

As can be seen by the accompanying charts, the upscalers led the pack in per cent increase in operating earnings '82 vs. '81, average sales per store, sales per gross square foot, operating income per gross square foot, and operating income return on assets.

Mainly on the strength of Wal-Mart's showing, transitional stores turned in the best year-to-year sales increase, operating income to sales per cent, and the highest-compound growth rates 1978-82 for sales and operating income.

What makes an upscaler: a combination of factors working *together.*

Upscale discount retailers concentrate on the look and feel of their stores. To attract the higher-income customers they seek, they make sure that the customer is greeted *at all times* with a clean, fresh, appealing store, one that invites them in rather than takes them for granted. While most retailers strive for a pleasing environment, upscalers work toward a coordinated look that is backed by systems, including heavy use of the planogram, that insure it.

The look of the store carries over to displays and presentation. The first to extensively use a race track traffic pattern that exposes most departments to shoppers, upscalers are leaders in developing and/or employing fashion fixtures.

Apparel departments use rounders, waterfalls and four-ways. Piperacks, when used, are reserved for tonnage items such as men's jeans. Carpeting is generally underfoot in apparel areas. Finger walls abound. In hard goods, upscalers like Bradlees and Target use lighted fixtures in housewares and gift areas.

The major emphasis at store level, though, is clearly on apparel. Perhaps because many of the upscalers either began as a department store company offspring, or, as in the case of Bradlees, recruited department store executives to run them, upscalers realized before the rest of the industry the need to rely on soft goods margins to bolster the bottom line.

Consistently, upscalers devote more space than other chains to apparel and feature it more prominently in their advertisements. Upscalers have taken the lead in using bold graphics and four-color photos in their circulars. They also pioneered using lifestyle artwork in the ads as well as in their in-store displays.

Advertising, display and presentation are really just the outside framework of what it means to be an upscale discounter. Merchandise content—and the strategy to be the first in a market to capitalize on emerging trends—truly define the segment of the industry.

To the everyday basics discounters carry, upscalers layer on merchandise with a quality and price

men's
Wrangler

Upscale discounters like Gold Circle feature high-margin apparel.

Upscale discounters lead industry

	% Sales change	% Op. inc. change '81-'82	Op. inc. % sales	Avg. sales per store	Sales per gross sq. ft.	Op. inc. per gross sq. ft.	% Op. inc. return on assets	% Change compound sales '78-'82	% Change compound op. inc. '78-'82
Upscale	+16.8	+36.4	4.5	$13,262,007	$141	$6.77	11.5	+16.3	+16.3
Transitional	+23.9	+27.3	5.6	5,156,188	97	5.47	5.6	+18.4	+21.6
Traditional	+ 2.3	+20.2	2.7	7,596,817	113	3.01	8.3	+10.7	− 7.9
22 Store Composite	+ 9.4	+27.2	3.8	7,608,162	115	4.28	9.0	+13.3	+ 3.6

Source: *CSA* research

Target leads upscale format, ShopKo edges Caldor for second place*

Chain	1982 sales (000 omitted)	% Sales change	1982 Op. inc. (000 omitted)	% Op. inc. change	Op. inc. % sales	Avg. sales per store	Sales per gross sq. ft.	Op. inc. goss sq. ft.	% Op. inc. return on assets	% Change compound sales '78-'82	% Change compound op. inc. '78-'82
Bradlees	$ 871,636	+21.3	$ 50,474	+94.6	5.8%	$ 8,849,096	$109	$6.30	19.2	+15.3	+19.5
Caldor	925,191	+18.7	58,775	+20.5	6.4	12,094,000	131	8.30	10.9	+18.1	+13.0
Gemco	1,381,000[1]	+ 8.0	36,900	+17.5	1.7	16,638,554[1]	201[1]	4.12	7.5	+ 6.8[1]	+ 1.7
Gold Circle[2]/Richway	822,900	+24.0	23,800	+26.6	2.9	11,840,287	106	3.07	5.8	+11.2	+ 2.3
ShopKo	389,500	+15.6	24,800	+21.6	6.4	11,455,882	143	9.12	N/A	+21.3	+14.8
Target	2,412,400	+17.4	150,100	+38.1	6.2	15,172,327	156	9.70	14.2	+28.0	+25.0
Venture	680,300	+11.3	30,000	+78.6	4.4	14,789,130	126	5.67	10.2	+10.2	+25.7
Composite	7,512,927	+16.8	374,849	+38.4	4.5	13,262,007	141	6.77	11.5[3]	+16.3	+16.3

N/A = Not available
[1] Excludes food sales
[2] Excludes closed divisions
[3] Excludes ShopKo
**Ranking based on all yardsticks except sales, operating income and return on assets*

Source: *CSA* research

Wal-Mart leads class of transitional discounters

Chain	1982 sales (000 omitted)	% Sales change	1982 Op. inc. (000 omitted)	% Op. inc. change	Op. inc. % sales	Avg. sales per store	Sales per gross sq. ft.	Op. inc. per gross sq. ft.	% Op. inc. return on assets	% Change compound sales '78-'82	% Change compound '78-'82
Ames	$ 422,806	+10.4	$ 22,243	+10.8	5.3	$3,178,992	$ 76	$7.03	13.9	+25.9	+18.5
Grand Central	255,878	+ 8.4	1,921	−78.5	0.8	7,996,188	101	0.76	7.6	+ 5.8	−35.6
Jamesway	332,513	+12.3	15,823	+60.2	4.8	5,038,076	88	4.18	12.8	+13.2	+ 5.4
Rose's	661,903	+11.3	23,587	+33.0	3.6	2,804,674	78	2.79	15.3	+ 7.3	+ 7.2
Wal-Mart	3,376,252	+38.1	240,998	+48.3	7.1	6,843,124	131	9.33	20.3	+39.1	+43.2
Zayre[1]	1,615,999	+12.7	55,059	+33.6	3.4	6,156,187	87	2.97	9.9	+ 7.2	+ 9.3
Zody's[1]	3,335,357	+ 8.2	15,965	−54.0	4.8	6,844,020	86	4.09	7.9	+15.0	− 8.4
Composite	6,674,686	+23.9	375,596	+27.3	5.6	5,156,188	97	5.47	15.0	+18.4	+21.6

[1] *Discount stores only*
Source: *CSA* research

point level previously thought to be beyond the reach of discount store operations. Caldor does it with Lenox china and Hummel figurines, items that bring in higher-than-average price points. Bradlees does it by picking lifestyle segments and building up business in home furnishings with department store quality in presentations that match those of many suburban department store branches.

Latching on to emerging trends sooner than its competition distinguishes upscale stores. Conversely, the failure to do so can cause problems. Case in point: last year Richway failed to be on the cutting edge in hard lines. Coupled with other factors, the failure deflated earnings, says Jack Smailes, president, adding that in the future, "We will be dominant in the major trends in the business."

The higher-quality, higher-ticketed merchandise raises the average transaction. In preparing this special study of the upscale discount store, *CSA* surveyed consumers in four markets, Indianapolis, Atlanta, Philadelphia and Boston. The *CSA*/Leo Shapiro and Associates survey found that on average shoppers spent more in upscale discount stores than they did in K mart.

Indeed, K mart's sales per gross square foot of $123 trailed most upscale discount stores. It exceeded only those of Bradlees ($109) and the combined figure for Gold Circle and Richway ($106).

Upscale discount chains have concentrated their development mainly in heavily populated areas, enabling them to pump out the highest-average store sales of any discounters. Even Bradlees $8.8 million figure, lowest of any upscale store, is higher than the rest of the pack, led by K mart at $8.5 million. ☐

Discounters enter transitional age

Transitional discount stores include in their ranks some of the more interesting chains to watch.

Leading the transitional field, as well as all of discounting, is Wal-Mart, the Bentonville, Ark.-based wonder chain. Pres. Jack Shewmaker argues that he sees no real differentiation between Wal-Mart and upscale stores. He believes that any limitation on items and price points in Wal-Mart stores vis-a-vis upscale stores like Venture or Target is more a function of geography than chain philosophy. The small town markets mainly served by Wal-Mart absorb trends slower than the big city markets of the upscalers. Consequently, Wal-Mart has to in-

Home Decor
TARGET

Lifestyle furniture has found a welcome home in discount stores like Target.

Five of eight traditional discounters posted negative earnings '78-'82

Chain	1982 sales (000 omitted)	% Sales change	1982 Op. inc. (000 omitted)	% Op. inc. change	Op. inc. % sales	Avg. sales per store	Sales per gross sq. ft.	Op. inc. gross sq. ft.	% Op. inc. return on assets	% Change compound sales '78-'82	% Change compound '78-'82
Cook United[1]	$ 580,954	− 0.4	$ 8,978	− 7.8	1.5	$4,966,730	$ 69	$1.07	3.9	+13.8	− 5.4
Danners[2]	151,488	+14.9	4,832	−13.0	3.2	4,390,957	89	2.84	9.6	+15.8	+14.3
Duckwall-ALCO	205,141[1]	+ 9.7[1]	17,021	+14.4	7.9[2]	2,564,263[1]	67[1]	5.24[2]	17.2[2]	+12.7[1]	+ 8.5
Gaylord's	114,542	− 3.2	1,880	−21.6	1.6	3,095,730	55	0.90	4.4	+ 0.4	−11.2
Hook's[1]	356,565	+30.3	19,458	+36.1	5.5	3,307,581	73	3.99	10.1	+15.3	− 2.7
K mart	16,607,000[1]	+ 1.6[1]	424,000	+31.4	2.6[2]	8,517,146[2,3]	123[1,3]	2.61[1]	5.6[2]	+10.6[1]	− 9.3[2]
G. C. Murphy	530,955[1]	+ 7.1[1]	51,278	+30.9	6.2[2]	4,893,594[1]	88[1]	4.04[2]	16.8[2]	+11.3[1]	+ 2.8[2]
S. E. Nichols	241,317	+ 4.2	(4,287)	—	—	5,814,867	64	—	—	+ 3.5	—
Composite	18,186,962	+ 2.3	523,180	+20.2	2.7[2]	7,596,617	113	3.01[1]	6.3[2]	+10.7	− 7.9

( )=Loss *[1]U.S. Discount stores only* *[2]Based on total discount/variety business* *[3]Includes Meldisco sales*

Source: *CSA* research

troduce trend items more slowly.

Nevertheless, Wal-Mart's decision to segment its stores' merchandising and presentation based on market is a departure from the more rigid approach taken by the upscalers. But Wal-Mart clearly is moving toward a more uniform look in its stores more in line with the presentation found in Target and other upscalers.

Zayre is perhaps a classic example of how a company can change its appearance and succeed without materially trading up beyond its core customer. Zayre's apparel departments still rely on the pipe rack, but the upgrading of the last few years has transformed the once bargain basement look of the stores into more distinct, cleaner units. It even has tackled the movement toward upgraded housewares with a gourmet housewares section that, while bringing in higher price points, does not match Bradlees or Caldor in price points.

New Jersey-based Jamesway president Arlie Lazarus puts his chain in the middle of the traditional and upscale stores. The chain is concentrating on improving its soft lines sections and is bringing in higher priced merchandise in hard goods. Jamesway is taking a sharp look at its competition, particularly Bradlees and Caldor, as they expand into the mid-Atlantic market. For now, Jamesway has but few head to head locations with the two upscalers. It competes more directly with K mart, and its transitional mode is adapting well. ☐

K mart sets level for competitors

K mart chairman Bernard M. Fauber believes that the trend in the next five years will find all discount chains upgrading. So will K mart.

But even as K mart upgrades, other chains will continue to use the nation's largest discounter as the level by which to measure how high they can go in their upgrading.

Fauber professes to care little about the "floor-mat" position. He sees K mart as the store for the masses, one that will upgrade its taste levels with the masses.

K mart, as are the other traditional discounters, are trading up too. But, while *CSA*/Leo Shapiro research shows that shoppers visit K mart stores more frequently than upscale stores, their average transaction is lower. Versus Target in Indianapolis, for example, K mart shoppers spent an average 11% fewer dollars per trip than Target customers.

The problem faced by traditional discounters can be seen in the low sales and operating income per gross square foot figures posted.

K mart's size, of course, heavily weighted the composite figures for the traditional segment of the industry. Without K mart, the seven other chains would have posted a 5.4% sales rise (vs. 2.3% with K mart); a 26.5% jump in operating income (vs. +20.2%); 4% operating income to sales (vs. 2.7%) only $4.1 million sales per store (vs. $7.6 million); $73 sales per gross square foot (vs. $113); $3.31 in operating income per gross square foot (vs. $3.01); 9.9% return on assets (vs. 6.3%); +14.8% compound sales (vs. +10.7%) and just under 1% lower compound operating income (vs. −7.9%). ☐

Profiles of upscale chains

In the pages that follow, *CSA* profiles four of the upscale chains. Each presents a different aspect of the upscale chain.

Target is perhaps the epitome of the concept. One of the first, if not the first, Target is the biggest of the upscale chains and has embarked on the most extensive expansion program.

Bradlees is an example of a chain that successfully transformed itself from a traditional discounter to what many observers believe is one of the most progressive upscale discounter today.

Richway provides a glimpse at a company rebounding from a year of underachievement. Yet its grip on the Atlanta market provides it with a strong base on which to spring back.

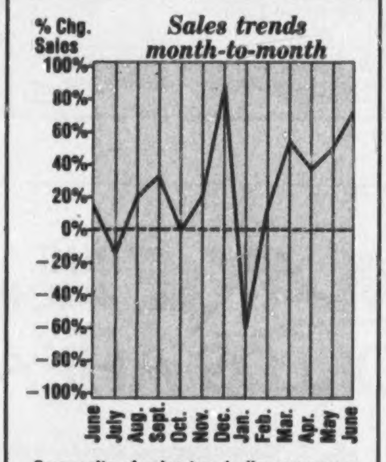
Clover is the smallest of the chains profiled. It has a tight lock on the Philadelphia market, a market that has seen other discounters like Woolco, Korvettes and J. M. Fields come and go. ☐

FINANCIAL NEWS

Bullish consumers boost summer sales

What a difference a year makes. In June '82, GMers were reeling from a recession that was carving into sales and profits. But with the economy now steaming along stronger than economists anticipated, sales for the 25 chains tracked by *CSA* were up 15.4%.

A big winner in the June sales report was Troy, Mich.-based K mart which logged a 15.5% sales hike and a 13.8% same-store increase (K mart's June '82 sales, however, were down 1.2%). The discounter reported strong increases in apparel, a category that logged flat results in the March-April sales period.



Composite of sales trends (increases or decreases) from month to month for the 25 retail companies tracked by *CSA*.

"Improvements in K mart's merchandising program, favorable weather and optimistic consumers," were behind the strong showing, said Bernard Fauber, the chain's chairman.

Meanwhile, the nation's largest retailer, Sears, topped $2 billion in sales for the June period—a first for a non-December sales period. "All sections of the nation reported increases led by the East and the Midwest," said chairman Edward Telling.

As has been the trend, big ticket durables performed well in June. Sears reported substantial increases for large appliances for the ninth consecutive month while Montgomery Ward, which enjoyed a total 6.4% sales hike, said appliances were up for the seventh consecutive month.

Department store chains also reported strong sales increases led by New York-based R. H. Macy and Mercantile. Macy's sales were up 19% (with one additional store since June '82), and Mercantile scored a massive 17.3% same-store sales increase (14.2% for the year).

Among discounters, Bentonville-based Wal-Mart logged an 18% same-store hike (13% for the year); Braintree, Mass.-based Bradlees reported a 20% same-store increase; Rose's recorded a 31.8% increase (adding only six more stores); and New Jersey-based Jamesway was up 38.1%.

No June swoon as economy recovers

		JUNE SALES*		STORES		5-MO. SALES*		
MAJOR CHAINS	% change	1983	1982	1983	1982	1983	1982	% change
SEARS[1]	+ 10.3	2,047,700	1,857,252	823	847	8,377,174	7,824,095	+ 7.1
PENNEY	+ 7.0	945,000	883,000	2,039	2,072	3,807,000	3,681,000	+ 3.4
WARD[1]	+ 6.4	543,224	510,351	375	388	2,191,402	2,122,740	+ 3.2
FEDERATED[5]	+ 18.2	624,900	528,800	N/A	N/A	2,655,200	2,320,200	+ 14.4
DAYTON HUDSON	+ 27.4	608,809	477,756	1,034	900	2,425,501	1,962,042	+ 23.6
MAY DEPT. STORES	+ 19.8	360,500	301,000	1,509	1,314	1,516,200	1,309,000	+ 15.8
R. H. MACY	+ 19.0	337,900	284,000	92	91	1,385,100	1,158,700	+ 19.5
ALLIED STORES	+ 20.1	315,200	262,500	549	520	1,355,100	1,172,200	+ 15.6
CARTER HAWLEY HALE	+ 19.0	308,500	257,300	1,044	974	1,277,100	1,106,900	+ 15.4
ASSOCIATED DRY GOODS	+ 25.0	352,200	281,800	N/A	N/A	1,299,000	1,157,000	+ 12.3
MERCANTILE	+ 18.7	115,339	97,156	85	84	558,954	484,035	+ 15.5
K MART	+ 15.5	1,839,738	1,592,945	2,139	2,084	7,242,243	6,525,458	+ 11.0
WOOLWORTH	+ 7.7	500,264	464,328	N/A	N/A	2,035,630	1,948,120	+ 4.5
HOUSEHOLD MERCH.[2,3,5]	− 4.3	224,756	234,975	3,738	3,814	1,094,689	1,134,902	− 3.5
WAL-MART	+ 47.0	363,000	247,000	586	505	1,581,000	1,196,000	+ 32.0
T.G. & Y.	− 5.3	150,985	159,458	861	929	758,299	785,822	− 3.5
ZAYRE[4]	+ 25.3	238,515	190,409	651	604	944,803	787,997	+ 19.9
BRADLEES	+ 43.7	102,900	71,600	112	95	377,100	283,900	+ 32.8
MURPHY	+ 8.3	78,754	72,744	416	429	332,462	334,057	− 0.5
ROSE'S	+ 31.8	61,339	46,555	244	238	299,465	251,575	+ 19.0
HECK'S	+ 6.2	32,700	30,800	120	119	188,700	166,400	+ 13.4
JAMESWAY	+ 38.1	44,032	31,881	75	65	150,190	121,064	+ 24.1
MELVILLE	+ 27.5	330,522	259,146	5,611	5,319	1,602,024	1,348,454	+ 18.8
TANDY	+ 14.7	200,900	175,203	N/A	N/A	976,304	808,807	+ 20.7
EDISON BROS.	+ 16.9	94,123	80,486	2,166	2,129	466,682	426,153	+ 9.5
THE GAP	+ 8.7	36,100	33,200	556	533	151,500	144,900	+ 4.6
TOTALS & AVERAGES	**+ 15.4**	**10,706,915**	**9,274,187**	—	—	**44,290,523**	**39,775,699**	**− 11.4**

**000 omitted. N.C. = no change. N/A = not available.*
[1] Store number for full-line outlets only. [2] Includes 2,829 franchise stores (vs. 2,838 a year ago). [3] Includes T.G. & Y. sales. [4] Includes 267 Zayre stores (vs. 266 a year ago), 303 Hit or Miss stores (vs. 263) and 101 T. J. Maxx stores (vs. 75). [5] Excludes supermarket sales.

Sears ups share of Canadian group

Sears, Roebuck & Co. has increased its share in Toronto-based Simpson-Sears Ltd., by purchasing $211.2 million (Canadian) in stock from the Hudson's Bay Company.

The Chicago-based GMer last month purchased 20.2% of Hudson's Bay's share in Simpson-Sears. The deal increased Sears' ownership from 40.3% to 60.5%.

In '82 Simpson-Sears logged sales of $3.14 billion while its net income was $27.2 million. In the first quarter, however, the chain lost $2.5 million on sales of $701.8 million.

In 1979 Hudson's Bay acquired a 35.6% share in Simpson-Sears when it purchased control of Simpson's Ltd., a dept. store chain. Hudson's Bay, though, didn't manage the Simpson-Sears group.

Quiet Dillard's storms the Southwest

Stores prepare for Christmas surge

Chain Store Age

GENERAL MERCHANDISE EDITION September 1983

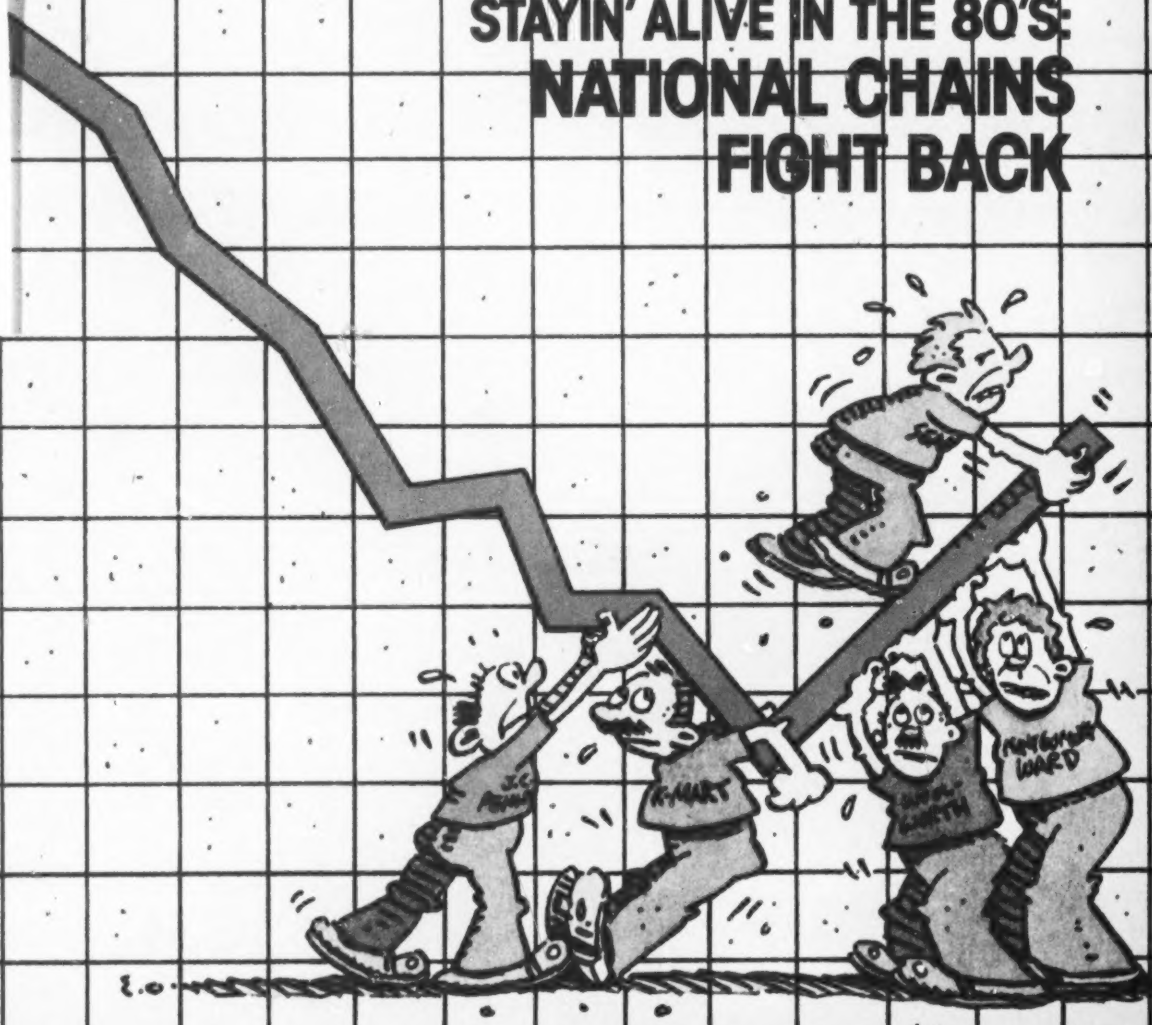
D IN TWO SECTIONS

SECTION ONE

RISTOPHER HENLY
GRESSIONAL INFO SVC SR1 GM
4520 EAST WEST HWY
BETHESDA MD 20814

C 5150-7 9/27/83

STAYIN' ALIVE IN THE 80'S: NATIONAL CHAINS FIGHT BACK


J.C. PENNEY
K-MART
WOOLWORTH
MONTGOMERY WARD
E.O.

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K mart's back and looking brighter

After a three-year search for a formula to recapture its former level of productivity, the chain has found its answer: slash expenses, strengthen existing stores instead of expanding and upgrade the merchandise mix. 33

T.G. & Y. on the road to recovery

With a new-format Family Center and a functional approach to management, this once ailing chain is on the mend: Sales for its reformatted stores are already more than 30% ahead of 1982, and the five-year prognosis is rosy 45

Swapping Christmas blues for greens

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APPAREL merchandising—Section Two

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Penney stays tuned to in-store auto

Penney's decision to bow out of the automotive aftermarket wasn't a completely final curtain call for the chain. Besides continuing to offer auto lines in its catalogs, Penney apparently feels car sound is "fashionable" enough to rate in-store space.

Stores that have not yet been revamped into Penney's new fashion store mold have relocated car sound in the consumer electronics department adjacent to TVs. The mix is dominated by Sparkomatic, with price points opening at $64.99 and climbing to $179.99.

Penney spokesmen, admitting the chain will maintain its in-store position on car sound, won't comment on remerchandising assortments. But indications are a tradeup is underfoot. Prices in a recent Penney catalog, for example, climb as high as $499.99 for Clarion's 9300TB/800A model, with the mix skewed heavily toward the higher-end $200-$300 price range.

Penney is retaining *autosound assortment; is a tradeup in the works?*

Industry sources report this is the direction the market is taking. While unit sales are expected to increase by less than 10% this year, the consumer's interest in higher-priced lines should send dollar volume way above that figure.

Sales surge seen for auto chemicals

Overall growth of automotive chemical sales is expected to continue along its moderate 9.2% annual course for the next five years. But two categories aimed primarily at older cars should chalk up strong double-digit gains every year through 1987.

Repair products, like touch-up paints, undercoating compounds, adhesives and filling compounds, will lead all automotive chemicals with an annual growth rate of 14.3%, according to Charles H. Kline & Co., a New Jersey-based marketing firm. Total volume for the category is expected to nearly double, from $128 million last year to about $250 million in 1987.

Dollar volume growth for automotive chemicals
(Manufacturers' sales for seven categories in $ millions)

	1982	1987 (est.)	% change
Total	$1,556.0	$2,415.0	+55.2
Windshield products	42.0	62.0	+47.6
Underhood products	92.0	146.0	+58.7
Repair products	128.0	250.0	+95.3
Additive products	184.0	283.0	+53.8
Appearance products	225.0	394.0	+75.1
Petroleum products, functional fluids	389.0	496.0	+45.8
Radiator products	496.0	713.0	+43.8

Source: Charles H. Kline & Co.

Appearance products, mainly waxes, polishes and vinyl cleaners, are also predicted to post double-digit sales gains, 11.9% annually, with volume reaching $394 million in 1987.

More mature lines, like windshield washers, antifreeze and functional fluids, will post strong dollar gains, but growth will be somewhat slower.

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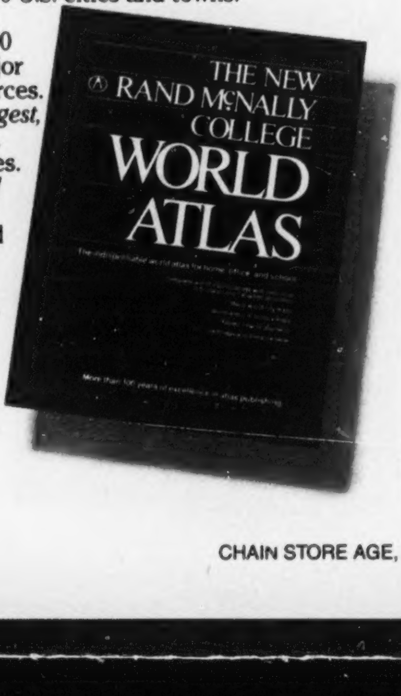
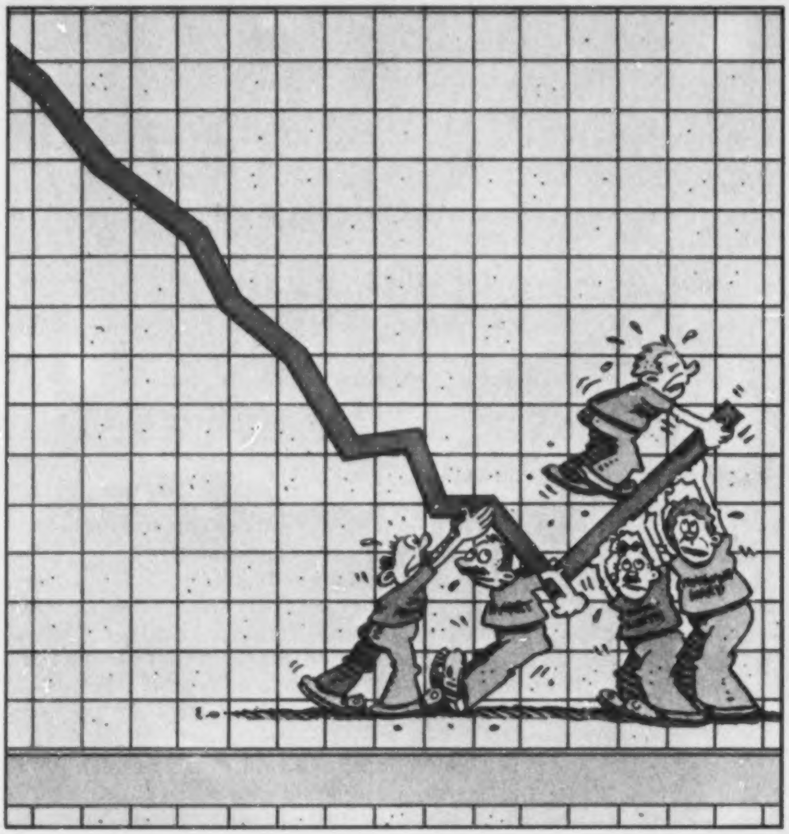


National chains hit comeback trail



In 1978, 64.4% of the total retail sales of the top 15 chains, and 23.5% of the total GAF (general merchandise, apparel and furniture) sales came from five companies—Sears, K mart, J. C. Penney, Montgomery Ward and Woolworth.

Five years later their sales contribution dwindled to $6.08 of every $10 of the top 15 chains' volumes, and $2.17 for every $10 of the GAF total.

The downward trend appears to have reached the low point of the trough. New leadership has changed the working cultures at the national chains. New marketing and merchandising initiatives, combined with a consumer-led economic recovery—particularly in the heavily chain-stored Midwest—have produced substantial sales gains.

With their vast customer bases, the chains need only increase transactions slightly to produce a snowball effect. Penney would be able to increase sales by $2 billion if it could just raise each customer's annual transaction by $20, says Donald V. Seibert, recently retired chairman.

The bottom line: *Chain Store Age* believes that the five national retailers will regain the commanding role that has been slowly slipping from their mantle. It's taken their top managements a long time to realize it, but finally they've learned that they just can't rest on their laurels. In the past two years the industry has witnessed the rational response of the "Big 5" to the changing retail picture as the national chains unveil new strategies in updated stores.

Their profit performance during the first half of 1983 attests to their comeback. K mart posted the best first-half earnings in its history with a 144% gain.

Woolworth, too, is off to a good start. Having been set free from Woolco's shackles, it posted a $17 million profit vs. a $2 million loss in the first half. Sears is headed toward its best year ever. Profits rose 54.7% in the second quarter and 76.3% during the first half.

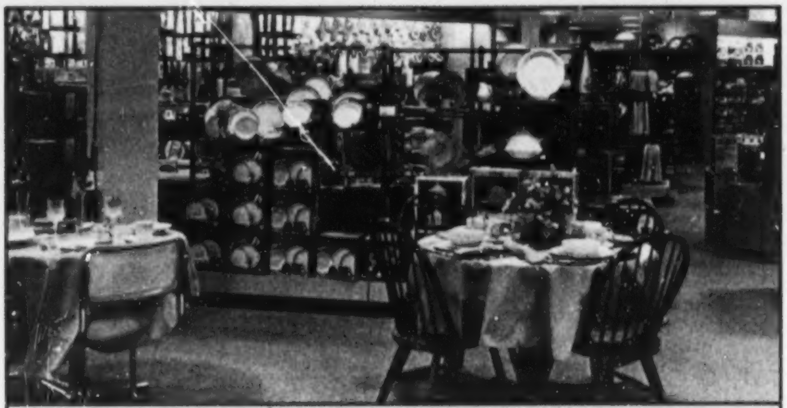
Even Ward showed plus earnings for April through June with profits of $4 million against a $27 million loss in '82. It marked the second out of the last three quarters that the national catalog chain was in the black. *CSA* predicts Ward's upward swing will continue through the remainder of this year, ringing in a full-year profit for the first time since 1979.

Rx for recovery: reorganize the top, realign the mix, boost purchases per shopper

Penney, on the other hand, is still troubled by low sales resulting in small profit gains for the first six months of fiscal 1983. Overall first-half earnings crept ahead by a meager 0.9%. Nonetheless, Penney's strategy appears to be right, and *CSA* expects to see a steady incline beginning by early fall.

Back in the mid-1970's, the Big 5 national retailers were plagued by steadfast, starchy managements. "We were rolling along, generating a lot of sales, and profits looked good," says K mart's chairman, Bernard Fauber. "I don't think there are many companies that make major changes under those circumstances."

K mart, like the other four mass merchants, watched idly from the sidelines as department stores evolved into middle- and upper-end fashion houses and as specialty retailers and upscale discount stores carved out niches in the Big 5's business. The Big 5 remained merchants, not marketers.



Five-year sales as a per cent of GAF

Year	GAF*	Sears	K mart	Penney[1]	Ward	Woolworth[1]	Five-company total
1978	$205.719	8.4%	5.7%	4.8%	2.4%	2.1%	23.5%
1979	223.617	7.5	5.7	4.6	2.3	2.2	22.3
1980	237.665	7.1	6.0	4.6	2.3	2.1	22.1
1981	259.440	7.0	6.4	4.4	2.2	2.0	21.9
1982	265.660	7.1	6.3	4.3	2.1	1.9	21.7

*In billions; includes all sales from stores that specialize in department store-type merchandise.

[1] Continuing operations only

Source: CSA research

When the economic crunch of the late 70's caused interest rates to soar and consumers to curb spending, further worsening the Big 5's financial plight, the chains began a struggle to maintain and sometimes find identities. They had been reacting instead of acting. For instance, while the country went on a name brand craze, Sears, Ward and K mart stuck by their private label strategies in hard and soft lines.

It was obvious that the five national merchants needed to overhaul their companies from the inside out if they planned on remaining viable retail forces. They needed to act, not react.

And act they did, becoming marketers and developing five independent rational responses to the biting competition. While each plan was different, tailored for the individual company's specific goals, all responses had three common threads: a reorganization of management, realignment of merchandise assortments and an ultimate goal of increasing the number of purchases each shopper makes.

For the most part, the reorganization forced many old-timers to enter early retirement, allowing young blood to pulsate through the atrophied corporations. While Sears, K mart and Penney relied on insiders for new directions, Woolworth and Ward scouted talent from bold and successful merchants like Dayton Hudson.

New top managements brought new cultures to the stagnant companies. They admitted to and dealt with past mistakes and were more receptive to change and experimentation. Moreover, they let this open-minded attitude filter down through the ranks, encouraging the review of every nook and cranny.

At Sears, merchandising chairman/ceo Edward A. Brennan says, "We challenged each buyer to literally lift up his or her line and examine it. If it needed fixing, fix it. If it couldn't be fixed, discontinue it."

As a result of the introspection, the Big 5 realized that they couldn't be all things to all people; they needed to stand for something. They attacked this problem by realigning assortments and improving their companies' images through merchandise and fresh advertising campaigns.

No longer burdened by ailing Woolco, Woolworth management focused its energies on the long-ignored variety stores. Like G. C. Murphy, it decided to concentrate on its core departments—toys, health and beauty aids, candy, stationery, notions and hosiery—while downplaying jewelry, women's wear and hardware.

However, equally as important as the merchandise is Woolworth's pricing strategy. Variety store president/ceo John Parker says, "We will be strong in the opening of the most popular price ranges of a category of merchandise."

Additionally, the company moved to a race track configuration that helps boutique departments within the stores. For the first time in its 104 years of operation, Woolworth needed specialists for in-store displays, so it created a visual presentation department.

Penney, like Woolworth, also keyed in on its strengths. In Penney's case, the focus was on soft lines. By dropping major appliances, paints and hardwares, and automotives, Penney changed its mix from 60% soft goods/40% hard to a 75/25 ratio.

Its most notable soft lines upgrade debuted late this summer—Halston III, a women's wear collection designed by Halston exclusively for Penney. The Halston name will be extended into all apparel and soft home areas by 1984. It is aimed at gaining consumer recognition for Penney as a fashion merchant, as well as giving the New York-based retailer the edge over the other two catalog chains when it comes to competition with department stores.

Ward, too, had major surgery, cutting away private label lines in favor of brand names that would boost its quality image. This was Phase I of its Impac program.

The exception to the knife was made in cases where Ward's private label had a following, such as in car tires. In these instances, the company layered on the leading brand to attract additional purchases while maintaining its current customer base.

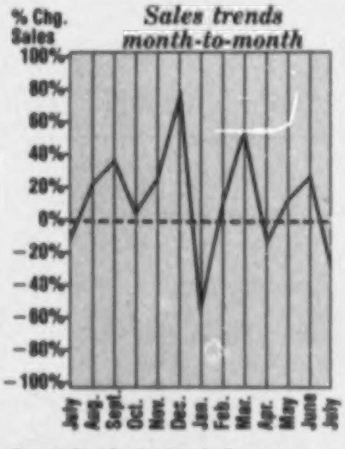
Currently, Ward is embarking on Impac II, which when complete will have all departments correctly sized with proper adjacencies. This will be achieved by verticalization of the departments, merchandising them as specialty businesses. There will be seven worlds in total, starting with automotives, followed by the home store, consumer electronics and major appliances, and finishing with leisure (which includes toys, sporting goods, party shop and lawn and garden), home improvement and apparel.

Sears and K mart are also busily repackaging their stores. Sears emphasizes "dominance" within each department, while K mart layers on better merchandise in new upbeat presentations. ☐

The hotter it got, the more they bought

Despite a stronger-than-expected economic recovery, retail observers were mildly surprised when GMers reported hefty July sales increases. A solid consumer turnout in June and unusually hot July weather were expected to put a slight damper on sales. Not so; sales for the 25 chains tracked by *CSA* were up 11.5% as the nation's major full-line retailers continued to show strength in big ticket durables.

K mart, for example, posted an 11.8% hike (same-store sales were up 10.1%) from $1.2 billion in 1982 to nearly $1.4 billion. "The July results," K mart chairman Bernard Fauber said in a prepared statement, "supported the current pattern of healthy sales even following the strong movement of seasonal merchandise in June."



Composite of sales trends (increases or decreases) from month to month for the 25 retail companies tracked by *CSA*.

Major appliances have been a leading category in this year's GM recovery, and July was no exception.

Sears' sales were up 9.8% (company officials were hoping for a 10% hike, a spokesman said) as major appliances posted strong increases for the 10th consecutive month. The big ticket durables boom also continued at Montgomery Ward as the Chicago-based retailer reported major appliance sales increases for the eighth consecutive month. Ward's sales were up 6.2% in July and 7.7% after eliminating discontinued lines from the year-to-year comparisons.

The big ticket durables comeback, however, didn't do much for J. C. Penney (the New York-based retailer last year dumped major appliances and hardware). Penney's July sales, in fact, were down 0.6%, but were up 2.2% excluding the chain's discontinued lines. According to Penney topsiders, the chain's sales were negatively affected by 3% because of the Mexican peso devaluation and disruptions caused by store refurbishing projects.

Among other retailers, Wal-Mart logged a hefty 17% same-store sales increase in July. The Bentonville, Ark.-based discounter's total July sales were up 43% from $258 million to $369 million.

July sales: no vacation from recovery

		JULY SALES*		STORES		6-MO. SALES*		
MAJOR CHAINS	% change	1983	1982	1983	1982	1983	1982	% change
SEARS[1]	+ 9.8	1,645,402	1,498,381	821	847	10,022,576	9,322,476	+ 7.5
PENNEY	− 0.6	675,680	680,000	2,027	2,071	4,482,000	4,361,000	+ 2.8
WARD[1]	+ 6.2	423,916	398,980	375	388	2,615,318	2,520,721	+ 3.8
FEDERATED[5]	+ 12.2	420,700	374,800	N/A	N/A	3,075,700	2,695,000	+ 14.1
DAYTON HUDSON	+ 20.7	413,260	342,387	1,044	915	2,839,392	2,304,429	+ 23.2
MAY DEPT. STORES	+ 13.7	247,300	217,600	1,514	1,346	1,760,000	1,530,000	+ 15.0
R. H. MACY	+ 12.3	204,400	182,000	92	92	1,589,500	1,340,700	+ 18.6
ALLIED STORES	+ 12.2	205,900	183,500	350	521	1,560,800	1,355,600	+ 15.1
CARTER HAWLEY HALE	+ 19.5	215,800	180,600	1,048	976	1,492,700	1,287,500	+ 15.9
ASSOCIATED DRY GOODS	+ 20.3	217,400	180,700	N/A	N/A	1,516,000	1,315,000	+ 15.3
MERCANTILE	+ 9.1	113,155	103,689	86	84	672,109	587,724	+ 14.4
K MART	+ 11.8	1,372,477	1,227,879	2,136	2,084	8,614,720	7,753,337	+ 11.1
WOOLWORTH	+ 6.7	370,659	347,244	N/A	N/A	2,406,259	2,295,367	+ 4.8
WAL-MART	+ 43.0	369,000	258,000	398	506	1,951,000	1,454,000	+ 34.2
HOUSEHOLD MERCH.[1,2,3]	− 6.5	224,415	239,938	3,710	3,810	1,319,104	1,374,840	− 4.1
T.G. & Y.	− 10.5	149,775	167,386	845	927	908,074	953,208	− 4.7
ZAYRE[4]	+ 16.0	147,443	127,141	686	599	1,092,246	915,138	+ 19.4
BRADLEES	+ 24.7	67,100	53,800	112	95	444,200	337,700	+ 31.5
MURPHY	+ 7.9	59,573	55,194	411	427	392,035	389,251	+ 0.7
ROSE'S	+ 36.3	57,741	42,369	239	237	357,206	293,944	+ 21.5
HECK'S	+ 9.8	31,500	28,700	121	119	220,200	195,100	+ 12.9
JAMESWAY	+ 29.7	28,569	22,033	76	67	178,759	143,099	+ 24.9
MELVILLE	+ 15.2	277,848	241,107	5,604	5,320	1,879,872	1,589,561	+ 18.3
TANDY	+ 8.6	179,682	165,467	N/A	N/A	1,155,986	974,274	+ 18.7
EDISON BROS.	+ 16.6	73,128	62,698	2,166	2,129	539,627	488,850	+ 10.4
THE GAP	+ 8.7	27,400	25,200	554	534	178,900	170,400	+ 5.0
TOTALS & AVERAGES	+ 11.5	8,070,248	7,239,407			52,356,209	46,995,011	+ 11.4

*000 omitted. N.C. = no change. N/A = not available.

[1] Store number for full-line outlets only. [2] Includes 2,822 franchise stores (vs. 2,836 a year ago). [3] Includes T.G. & Y. sales. [4] Includes 269 Zayre stores (vs. 266 a year ago), 316 Hit or Miss stores (vs. 258) and 101 T. J. Maxx stores (vs. 75). [5] Excludes supermarket sales.

Ward posts second-quarter profit

Spurred by a robust economy, cost-cutting measures and new merchandising programs, Chicago-based Montgomery Ward logged a $4 million second-quarter profit. The improving Mobile Corp. subsidiary lost $27 million during the same period in 1982.

For the first half of 1983, Ward lost $15 million compared with a $71 million loss in 1982. In first-quarter 1983 the retailer lost $19 million compared with a $44 million loss last year. Ward officials have said they expect to show a profit for the year; if so, it would be the first yearly profit since 1979.

Sales for the second quarter were up 4.5% to $1.4 billion, while sales for the half were also up 4.5%, to $2.5 billion.

APPAREL merchandising

SECTION TWO

SEPTEMBER 1983

C5150-7 10/14/83

POLYESTER: THE END OF THE IRON AGE

PENNEY'S CHALLENGE: BEEF UP SALES

IS IT TOO LATE FOR MADE-IN-AMERICA APPAREL?

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APPAREL merchandising

13 American consumers are buying polyester and poly blends. Both have made inroads in shoppers' wardrobes, according to an *Am*/Gallup survey, due to ease of care and practicality.

17 To spruce up polyester's image, six fiber producers are mounting advertising campaigns to show how versatile polyester is.

21 Polyester's strongest appeal, say retailers, is in fashion blouses and dresses. It's less acceptable to better customers in jackets, skirts and pants.

23 American manufacturers are fighting to keep goods produced in the U.S.A.; retailers maintain they must offer the lowest prices for apparel, regardless of where it is made.

27 Bill Howell, chairman and ceo of J. C. Penney, will handle his new chores as he has his past responsibilities since starting as a store trainee in 1958: direct and to the point.

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DEPARTMENTS

30 The Japanese have launched another invasion—this time into women's wear with "authentic" looks appealing to the avant-garde.

33 One-piece swimsuits constitute 80% of volume since they flatter figures. This year, though, two-piecers saw increased activity.

37 Maxine Kelly of Foley's has worked as a model, in manufacturing and in retailing. Her biggest advantage, though, was in knowing how women shop, especially career women.

41 Brand names are turning up in discount hosiery depts. Entrance of designer names, however, draws mixed reviews.

45 The junior high girl has long been courted. Now Sears and Penney are going after this label- and style-conscious customer.

47 Accessories is described as the most innovative in kids' apparel. It's also one of the most profitable, with a better-than-40% gross margin.

49 Novelty looks should help revive sagging young men's jeans sales. But, retailers see no single new look as having a profound influence.

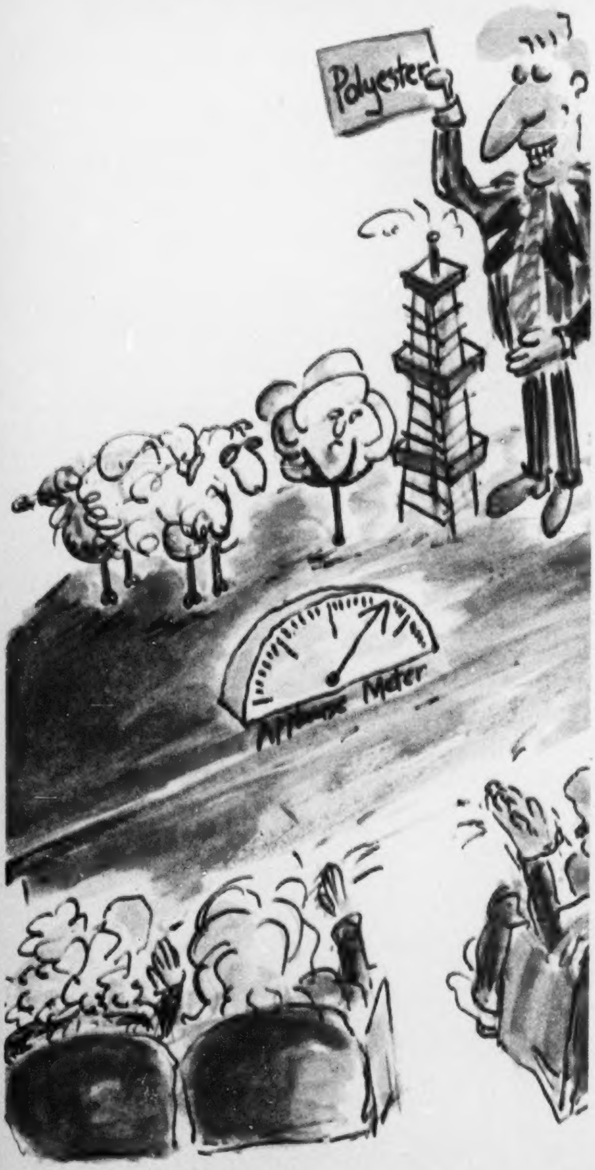
53 Ex-Footballer Moses Denson founded Children's Choice when he couldn't find a store to outfit his daughter. Today, the specialist caters to kids with a preppy preference.

COVER PHOTO BY JEFF GLACZ

Gallup Poll:

New Luster For Polyester

As men and women streamline their existences, many are buying polyester, finding easy-care fabrics that fit their lives.



While men and women may not see eye to eye on many issues, one thing they do agree on is the purchase of easy-to-care-for clothes. No slaves to ironing boards or local dry cleaners are American shoppers. As a result, more men and women are opting for clothes that are polyester blends or 100% polyester.

This is just one of the findings of a poll conducted by the *Am*/Gallup Organization exclusively for *APPAREL merchandising* on consumer reaction to polyester.

As fiber producers mount major campaigns to upgrade the image of polyester, consumers, especially women, are turning to clothes made of polyester. Not only because they are easy to maintain, but also because they wear well, don't wrinkle and won't shrink. In short, the American consumer wants clothes that are practical.

Not however, cheap. This was one of the dominant factors to emerge from the *Am*/Gallup research. If a man, for example, sees a pair of pants he likes that is polyester, wool/polyester blend or wool, he will pay more for the one he likes. So will women spend more for items they like, regardless of fabrications. Consumers may not be buying more apparel, as data from Stamford, Conn.-based Market Research Corp. of America indicates (units remained static in '82), but they are paying more for clothes that please them.

Polyester on her mind

Consumers are buying polyester. When asked do you buy clothes made of polyester, 44% of American women said yes. Moreover, two-thirds are buying polyester blends. Less than 9% voiced a definite no to polyester. Most of these nay-sayers have household incomes of over $25,000. Moreover, they are between the ages of 25 and 44.

For many women, though, polyester has no stigma. If they ever were aware of polyester jokes, they have put them aside. Witness the fact that 43.3% of American women will buy *more* clothes made of polyester than they did last year, according to the *Am*/Gallup research.

100% cotton
Poly-Cotton

Women prefer polyester blends

	Total	Less than $10,000	$10,000 to $14,999	$15,000 to $24,999	$25,000 and over
Prefer all polyester	43.5	55.4	45.2	31.8	42.1
Prefer polyester blends	68.8	54.1	81.7	78.4	74.3
Dislike polyester	8.5	8.1	5.8	6.3	9.3
Don't know	3.3	4.7	—	1.7	2.3

(Responses add up to more than 100% due to multiple answers.)
Source: Gallup Organization for *APPAREL merchandising*

Men prefer polyester blends

	Total	Less than $10,000	$10,000 to $14,999	$15,000 to $24,999	$25,000 and over
Prefer all polyester	29.3	33.3	29.4	29.7	29.4
Prefer polyester blend	65.5	56.0	72.1	64.9	70.9
Dislike polyester	16.2	18.7	16.2	13.5	17.0
Don't know	9.4	10.7	8.8	8.8	3.5

(Responses add up to more than 100% due to multiple answers.)

Source: Gallup Organization for *APPAREL merchandising*

Over 40% of women will buy more clothes made of polyester in 1983

	Total	18-24	25-34	35-44	45-49	50 and over
More polyester	43.3	44.7	37.3	36.4	55.4	46.5
Not more polyester	52.8	51.8	59.6	61.2	37.5	49.4
Don't know	3.9	3.5	3.1	2.4	7.1	4.1

Source: Gallup Organization for *APPAREL merchandising*

Majority of men will not buy more polyester in '83

	Total	18-24	25-34	35-44	45-49	50 and over
Yes	37.8	40.3	39.1	38.2	43.8	33.8
No	51.5	47.1	57.1	55.3	46.9	49.4
Don't know	10.7	12.6	3.8	6.5	9.3	16.8

Source: Gallup Organization for *APPAREL merchandising*

Still, polyester producers and retailers have their work cut out for them. The majority of women between the ages of 25 and 44 said they are not buying more polyester or blends than before. These are the women that represent the target shoppers of all retailers. It is these shoppers who will purchase the most apparel in the 80's. Moreover, they are the ones willing to spend more for clothes they like.

To gain this important customer, producers and retailers should target advertising stressing the fabric's ease of care and its adaptability to high fashion. Polyester garments no longer can be typecast as "cheap."

Men, however, are not as open to polyester as are women. A little less than 30% are buying clothes made of all polyester, while a little over 16% refuse to purchase polyester blends or 100% polyester apparel. Nonetheless, nearly 2 out of 3 are buying clothes that are polyester blends. Men buying blends are by and large the ones aged 25 to 44. They are also the ones who are better educated with household incomes of $25,000 or more.

Next year, 38% of the men said they would buy *more* apparel made of polyester or polyester blends vs. a little over 50% who dissented. Roughly 10% were unsure if they would be purchasing more man-made goods. The majority of naysayers are between the ages of 25 to 44 and have a college education. Income is over $25,000.

Less work with polyester

Polyester and polyester blends have made inroads in shoppers' wardrobes, reveals the *Am*/Gallup research, due to their ease of care. Consumers do not want the hassle of ironing or dry cleaning which is not really necessary with clothes made of polyester. Nonetheless, consumers do cite drawbacks to polyester.

Women rate ease of care most important attribute of polyester

	Total	18-24	25-34	35-44	45-49	50 and over
Ease of care	54.5	35.1	55.4	54.3	50.0	60.7
Doesn't wrinkle	34.5	15.8	30.7	38.0	37.5	41.5
Wears well/ lasts long	16.2	13.2	15.1	14.7	25.0	17.3
Doesn't shrink	7.4	7.0	12.7	9.3	10.7	3.8
Price/cheaper	4.8	5.3	6.6	3.9	3.6	4.4
Comfortable	2.1	7.0	2.4	—	3.6	0.9
Nothing	7.4	6.1	14.5	12.4	3.6	3.1
Other	8.8	20.2	3.6	6.2	1.8	9.4
Don't know	3.0	7.0	1.8	—	—	3.8

(Responses add up to more than 100% due to multiple answers.)
Source: Gallup Organization for *APPAREL merchandising*

The largest number of women (a little more than 1 in 5) claim that polyester is "hot." Couple this response with that of "it doesn't breathe," and the result is roughly 30% are dissatisfied. Women in the South and West are particularly mindful of these problems. Today cheap appearance only bothers 7.7%, just as "the way it feels" annoys less than 8%.

Women with household incomes of over $25,000 registered the loudest dissent about the look of polyester. Nearly 15% complained about its poor appearance, as did 13.5% of women with college educations. The college educated also felt more strongly about polyester being "hot." Nearly 1 in 4 nagged about this problem. They are also the most vocal about the way it feels: 1 in 10 do not like polyester's hand.

Still, 1 in 3 American women says nothing is wrong with polyester. Again, retailers take note: Women with household incomes of over $25,000 were more negative than women on the whole. A little over 22% of affluent women say polyester is O.K.

Men do not feel quite as strongly as women about the negatives of polyester. "It's hot" was the complaint of less than 15%, while "it doesn't breathe" was echoed by about 10%. The "way it feels" was the only other dissatisfaction that drew a double-digit answer.

Most of the criticism is leveled by men with college educations and who earn more than $25,000. For example, "it's hot" was a concern of 1 in 5 well-heeled men. In addition, a

Men like polyester's ease of care

	Total	18-24	25-34	35-44	45-49	50 and over
Easy care	34.2	19.3	33.3	40.7	26.6	40.9
Wears well/ lasts long	23.9	16.8	17.9	24.4	29.7	29.5
Doesn't wrinkle	18.0	7.6	17.9	21.1	23.4	20.3
Comfortable	6.6	13.4	10.3	8.1	3.1	0.8
Doesn't shrink	6.4	10.1	6.4	7.3	6.3	4.2
Price/cheaper	3.6	6.7	2.6	0.8	—	5.1
Nothing	12.3	16.8	12.8	13.8	12.5	8.9
Other	11.0	13.4	12.2	8.1	7.8	11.4
Don't know	10.7	16.0	7.1	3.3	17.2	12.7

(Responses add up to more than 100% due to multiple answers.)
Source: Gallup Organization for *APPAREL merchandising*

Polyester's liability: It's hot, say women

	Total	East Coast	Central	South	West Coast
It's hot	22.4	21.5	21.4	19.9	29.0
Doesn't breathe	9.9	12.6	8.5	7.2	12.4
Snags/pills	8.2	10.3	6.5	7.2	9.0
Way it feels	7.9	9.8	1.5	7.2	15.2
Cheap appearance	7.7	11.7	4.0	3.0	14.5
Holds static/clings	6.4	6.5	5.5	7.6	5.5
Heat melts it	1.3	1.4	0.5	0.8	2.8
Nothing	33.0	29.0	42.3	33.5	25.5
Other	14.1	17.8	14.9	10.2	13.8
Don't know	5.4	3.7	4.5	9.7	2.1

(Responses add up to more than 100% due to multiple answers.)
Source: Gallup Organization for *APPAREL merchandising*

Men dislike polyester because it's hot

	Total	East Coast	Central	South	West Coast
It's hot	14.6	16.7	7.4	14.4	22.8
Way it feels	10.4	11.5	11.6	6.2	14.2
Doesn't breathe	9.7	4.0	10.1	8.1	19.7
Snags/pills	7.3	6.3	7.9	9.1	4.7
Heat melts it	5.4	3.4	4.8	6.7	7.1
Cheap appearance	5.0	5.2	8.5	1.9	4.7
Nothing	32.5	30.5	36.5	34.9	25.2
Other	14.9	16.7	11.6	14.8	17.3
Don't know	10.3	10.3	11.1	12.4	5.5

(Responses add up to more than 100% due to multiple answers.)
Source: Gallup Organization for *APPAREL merchandising*

Poly/wool slacks are choice of men

	Total	18-24	25-34	35-44	45-49	50 and over
All wool	24.9	25.2	29.5	21.1	15.6	26.2
All polyester	25.0	21.8	27.6	22.0	4.7	32.1
Wool/polyester blend	38.5	39.5	37.8	46.3	65.6	27.0
Don't know	11.6	13.5	5.1	10.6	14.1	14.7

Source: Gallup Organization for *APPAREL merchandising*

Wanted: Cotton/polyester blend blouses by women

	Total	18-24	25-34	35-44	45-49	50 and over
All cotton	29.3	33.3	33.7	32.6	26.8	25.5
All polyester	12.9	8.8	6.0	7.8	3.6	21.7
Cotton/polyester blend	54.5	54.4	56.6	58.9	69.6	48.1
Don't know	3.3	3.5	3.7	0.7	—	4.7

Source: Gallup Organization for *APPAREL merchandising*

Nearly 50% of consumers buy their apparel at department stores

	Total	18-24	25-34	35-44	45-49	50 and over
Department stores	45.8	34.8	50.9	50.4	47.5	44.9
Specialty stores	20.7	28.3	18.0	19.0	21.7	19.3
Discount stores	15.7	20.6	20.2	15.1	17.5	11.0
Sears	11.4	8.2	7.8	15.1	12.5	13.3
Penney	10.1	6.9	7.8	9.5	6.7	14.1
Montgomery Ward	2.6	2.6	1.6	2.0	—	4.1
Off-price store	3.7	4.3	4.7	5.2	—	2.9
Catalog/mail order	0.9	0.4	0.9	2.0	—	0.9
Other	3.1	2.1	2.8	2.4	—	4.7
Don't know	3.5	2.1	3.1	0.4	3.3	5.9

(Responses add up to more than 100% due to multiple answers.)
Source: Gallup Organization for *APPAREL merchandising*

little over 13% of the affluent men did not like "the way it feels."

When women shop for blouses, it comes as little surprise that they prefer fabrications that are easy to care for. In this case, it means a polyester/cotton blend over all cotton or all polyester. Over 50% say they will buy a blend, and what's more, they are willing to pay more for this blouse. If they are buying pants, a blend again is their preference. More women choose wool/polyester blends than all wool or all polyester. Only in jackets do women opt for an all natural purchase (wool over polyester/wool blend or 100% polyester), thus indicating manufacturers and retailers may not be offering enough attractive polyester items in this category.

Men, however, are more inclined toward natural fabrications when selecting shirts and blazers. But when purchasing pants they turn toward blends. Men choose, for example, an all cotton shirt over a blend or 100% polyester. The voting is close, however: 41.8% opt for all cotton, while 41.3% select a blend. The blazer outcome is less tight: 40.6% purchase all wool, while 34.5% want a wool blend. Wool/polyester slacks are, however, a clear choice for nearly 40% of male shoppers. One in 4 buy all polyester slacks, followed by 24.8% favoring all wool. Like women, men will pay a higher price for an item they like.

Shoppers prefer department stores

Where are shoppers buying these goods? A little less than 50% of American men and women are heading to department stores. Despite the aggressive posture taken by catalog chains such as Sears and Penney toward becoming "national department stores," over 50% of the women in the United States who are between the ages of 25 and 44 shop stores such as Macy's, Dayton's and Robinson's. And a little less than 50% of United States men shop these stores. Department stores draw the best-educated and most affluent men and women. No other store type can claim this allegiance.

Nearly 1 in 4 shoppers, however, are going to catalog chains, with Sears leading the way. Specialty stores garner a 20% market share among all shoppers, with discounters tagging on their heels, posting a 15.7% share among men and women. Discounters surprisingly, however, attract more women between the ages of 25 and 44 than do specialty stores or catalog chains. Discounters, for example, draw 23.5% of women aged 25 to 34 vs. Sears' 6% and Penney's 9%. Specialty stores catch 11.4% of this group. Now consider women aged 35 to 44. Discounters draw 20.2% of these women as opposed to Sears' 11.6% and Penney's 10.9%. Specialty stores garner 15.5% of these women.

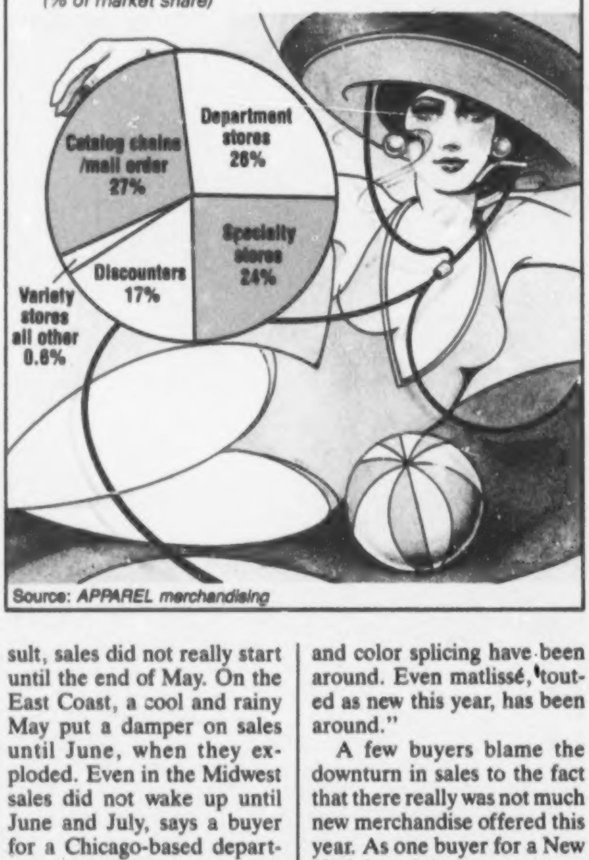
Consumers are still, however, not shopping in great numbers by mail or phone. Less than 1% prefer this method.

Both men and women are familiar with the six leading fiber producers' brand names. Women voiced the greatest recognition of DuPont's Dacron® (89.4%) and Celanese's Fortrel® (75.3%). Eastman Chemical's Kodel®, Hoechst's Trevira®, American Enka's Golden Touch® and Avlin's Avtex®, in that order, followed. Men ranked them the same way as women, although Dacron had a more commanding lead, according to the Gallup data. **Am**

WOMEN'S SWIMWEAR

Sales Dip In East, But Make Waves Elsewhere

One-piece suits are sales pacers, but two-piecers gathered steam, as some women looked to flaunt their figures.



Catalog chains plunge ahead in swimwear sales

(% of market share)

Source: *APPAREL merchandising*

While all swimwear buyers agree that June was a "blaster" month, they are divided about July and August results. For many located on the East Coast, July proved to be a disappointing month. Elsewhere, however, sales continued at a brisk pace.

This may play havoc with year-end results as nearly one-third of the swimwear business occurs on the East Coast, according to research done by *APPAREL merchandising*. What's more, as most East Coast stores broke sales earlier than the rest of the country, at the end of June, numbers will reflect discount prices.

As it is, most stores do the bulk of their swimwear volume on sale. Department stores, for example, sell 62% of swimwear at off price, while catalog chains sell 54%. Specialty stores do 59% of their volume at sale prices. Even discounters sell the majority of their swimwear (61%) at slashed prices.

Most department store buyers are finding consumers will purchase suits at $40 or less at full price, while those suits costing more than $40 are most likely to be bought on sale.

Industry observers point out stores may be doing more harm than good by discounting swimwear early in the season and closing it out Sept. 1 as gross margins are higher in swimwear than in women's sportswear.

This year it was business as usual as consumer attention centered around one-piece suits, in particular a one-piecer from Jantzen, which was a striped cotton Lycra suit with belt, priced at $37. The suit was a hit on the East Coast as well as the Midwest and West Coast. At one store based in the Sunbelt, over 800 pieces were sold. At Minneapolis-based Dayton's, the suit was a star in the department's promotional activity.

One-piece suits in general make up over 80% of swimwear sales, primarily, say buyers, because it is most flattering to women's figures. This year, though, some buyers saw increased action in two-piece suits at the beginning of the season. The Dayton's buyer attributes this sales spurt to women who have whipped themselves into shape during the winter and are interested in showing off their bodies early in the season.

This year, sales began slowly across the United States as weather, a key factor, was not on the side of swimwear buyers. "We had a sluggish March," says the buyer at Phoenix, Ariz.-based Diamond's. As a result, sales did not really start until the end of May. On the East Coast, a cool and rainy May put a damper on sales until June, when they exploded. Even in the Midwest sales did not wake up until June and July, says a buyer for a Chicago-based department store chain.

For many East Coast stores, however, business began to taper off after the price break at the end of June. Thanks to hefty double-digit sales increases—many running over 20%—most stores anticipate staying even with last year's figures.

A few buyers blame the downturn in sales to the fact that there really was not much new merchandise offered this year. As one buyer for a New York-based department store chain put it, "Dots, stripes and color splicing have been around. Even matlissé, touted as new this year, has been around."

A few buyers blame the downturn in sales to the fact that there really was not much new merchandise offered this year. As one buyer for a New York-based department store chain put it, "Dots, stripes and color splicing have been around. Even matelassé, touted as new this year, has been around."

As a result, buyers are mixed about preview '84 swimsuits. While many are fired up about the new looks, citing animal skin patterns, waist-high cuts and new shapes as sales stimulators, a few fear these "extreme" styles will not drive consumers into purchasing more bathing suits this year. **Am**

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Zayre looks to the future

Juvenile products: profits in babeland

Chain Store Age

GENERAL MERCHANDISE EDITION October

SECTION ONE

Robert Sakowitz: Retailing's Renaissance Man

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ways keeps on playing."

Basic fantasy games like Dungeons and Dragons seem to appeal to kids age 10 and over, while older teens stick to science fiction offerings. War games are still definitely part of the adult market, but retailers hope the younger hobby players will develop an interest in adventure gaming that will keep them playing for many years.

"When a person buys a basic Dungeons and Dragons set, it costs about $12," says Dieter Sturm, spokesman for TSR Inc. "If he becomes a hobby player, we've found he will spend an average of $75 within the first six months for accessories."

"Dungeons and Dragons is fantastic," says Mary Beth Benore, buyer for Hobby Center Toys, a 23-store specialty chain headquartered in Ohio. "It far outsells any other game we have in stock—adventure, family or board. We see nice growth in the area and have expanded sku's, but the really nice thing is the repeat business. We sell a lot of add-ons."

This peripheral business is probably going to specialty stores rather than to mass merchandisers. While many of the big chains like K mart and J. C. Penney carry only the basic pieces from the adventure game lines, hobby specialists carry more complete assortments and, according to industry figures, account for about 30% of the total business.

This direction may be reversed as major chains build up the whole category and with the introduction of new merchandise lines. With the increasing popularity of figures like G.I. Joe and Masters of the Universe, the timing is perfect for fantasy-based action figures, a tie-in for children who are still too young to get involved with the intricacies of playing the games, yet like the creatures. "Let's face it, kids love monsters," says the Midwestern chain buyer.

Toys "R" Us has just increased its commitment to the entire adventure game category. Along with basic sets ($9) and books like "Monster Manual" ($8.94) and the "Dragon Master Guide" ($10.94), the toy supermarket has started to show the 6-in. and 3½-in. fantasy figures blister-packed and displayed on pegs (the larger figures are $4.97, the smaller are $2.68). On the package, each figure is designated as good or evil along with additional character information: "Ogres are thoroughly evil and can usually be found with other evil monsters," one package reports. □

CONSUMER ELECTRONICS

Computer kids seek learning software

Since sales of home computers took off like a proverbial rocket in 1982, educational uses by children have been one of the most important reasons cited for buying a computer. But up to now, once the consoles were set up, the prime use has been playing video games.

This game-playing trend may be on the verge of changing.

Distributors and manufacturers say they see a burgeoning demand for high-quality educational programs and learning games aimed at young children. This year, sales projections for educational programs range from $160 million to more than $200 million, possibly 18% of the total software market. In some stores, educational lines represent as much as 26% of their software mix.

For educational software to reach its projected sales level, it will have to be heavily merchandised

But for most retailers, educational software appears to be an iffy category right now. "It's going to be an extremely important part of our business. There's absolutely no question about that," says the senior electronics buyer for a major Southern discount chain. "The question is 'when?' "

GMers across the country echo this wariness about timing. Too many have been caught with the wrong programs, particularly in video games, over the past three years. Following last Christmas' debacle of heavy commitments to highly touted games like "Raiders of the Lost Ark" and "E.T.," which failed to move off the shelves and consequently cost chains millions of dollars, there is growing hesitancy to commit inventory dollars to *any* computer program that hasn't proven itself.

***Young children** are the target audience for high-quality educational programs.*

And developing a track record is tough for all but the hottest-selling items. The average sales life cycle for a top-rated video game lasts only 17 weeks to six months. Educational software, on the other hand, takes considerably longer to catch on, but then can remain a steady seller for years, according to manufacturers. A spokesman for Spinnaker Software, touted as the largest third-party maker of learning games, says top-notch educational games "have a shelf life of years."

This extended sales period for educational programs will be a blessing for retailers. With most computer consoles selling for less than 15% above cost, and deep price-slashing

Intended and actual use don't always jibe

Even "serious" computer purchasers are playing games on the machines they bought for other purposes.

In a recent Consumers Union survey of those who bought home computers more than a year ago, only those purchasers who intended to use their machines for word processing or video game-playing actually ended up using them mainly for those purposes.

While 41% of purchasers said they bought their computers for general education, only 34% used them for that purpose—a 17.1% decline. Telecommunications with a separate data base showed the widest difference between intended and actual use: A full 25% fewer people used the system for that purpose.

Application	Intended use	Actual use	Difference
Game-playing	65%	69%	+ 6.2%
Learning about computers	68	63	− 7.4
Word processing	58	59	+ 1.7
Home accounting	58	45	−22.4
Telecommunications	32	24	−25.0
General education	41	34	−17.1

Source: Consumers Union

of video games once they have passed their prime, buyers are searching for product lines that can provide high gross margins to balance out their departments' bottom lines. Retailers say educational programs can carry margins in the 40%-45% range.

But for educational software to reach its projected sales level of $1.59 billion by 1990, retailers, manufacturers and distributors will have to merchandise the products. "It's not like video games where word-of-mouth advertising does most of the work," says a Texas department store merchandise manager. "We're going to have to follow traditional paths to sell this kind of program."

Stuart Schaefer, vp of The Handleman Company, a major distributor and rack jobber of software, agrees. "Selling educational software is going to require stand-out merchandising in the store, good packaging and heavy advertising aimed at the parents," he says.

Separating the three main categories of software—entertainment, educational and business/productivity—is already being done by some mass merchandisers. But for most, titles are still being shelved alphabetically.

Scholastic Inc., makers of the Wizware line, have taken the next step and created a freestanding modular rack for their titles. "And we'll work with the retailer in designing displays for his stores," says Scholastic vp Bruce Butterfield.

At the same time GMers accept the need to merchandise educational software in its own area, space and personnel limitations are forcing many of them to continue using edge-to-edge pegboard displays or cramming titles into bookshelf-type units. ☐

SPORTING GOODS

Tot seats add on accessory sales

The familiar plastic baby seats on the back of bicycles are seen more and more frequently on the streets across America, a reflection of two major trends—the mini baby boom of the past five years and the increased interest in health and fitness.

Biking is a popular mode of exercise, relaxation and transportation. In a 1982 study, A. C. Nielsen reported that biking was the second most popular participation sport, second only to swimming with over 72 million participants.

About 10 years ago, however, bike child carriers—most of which were imported—were little more than wire basket seats with little or no protective equipment. Today's child seats are products of advances in manufacturing and an increased concern for safety, and about 70% of the seats are domestically produced.

While bicycles are covered by the Consumer Product Safety Act—among other things they must be tested for sharp points, uncovered screws, surface coating materials and use and abuse—no specific standards govern baby seats.

A spokesman for the Consumer Product Safety Commission says that if a hazard exists with a carrier, it does have the authority to recall the product. "We've tried to get standards into a law, but to get everyone to agree on standards can sometimes take years," he explains. "Right now we have voluntary guidelines, as all bike accessories must generally conform to the same standards as bikes. We think we have forced the junk off the market."

With the birth rate and bike sales increasing—industry shipments are 22% ahead for the first six months of '83 compared to the previous year—accessory sales are also enjoying healthy increases. A *CSA*/Leo Shapiro & Associates consumer study showed that shoppers aged 30-34 (the percentage of women over 30 having their first child jumped from 4% in 1971 to 8.5% in '80) comprised the largest segment of the potential bicycle-buying public. In addition, households with one or two children represented a quarter of the market, indicating a large consumer pool available for bikes and, because they go hand in hand, accessories.

"Our bike sales have been very good this year," says a K mart spokesman. "With these increases we've also seen an increase in child carriers. We regard the carrier as a good accessory item, but stock only one sku."

"Child carriers are a staple," says a Penney store source. "We always

About 70% of today's child car seats are domestically produced.

have at least one model on hand and several available through the catalog."

For bike specialty shops, the carrier business can be an important one, an add-on sale offering margins as high as 50%. Prices range from $25 to $35, but a top-line seat with all available features can jump to $55. The newest development is the padded grab bar, which helps keep the child securely in place and gives him something to do with his hands. "It's a psychological thing as well as a safety factor," says Buford Carpenter, general manager of Troxel, a carrier manufacturer. "And it's a further step in enclosing the child effectively to keep him from injury."

"Parents are concerned with the safety aspects of the seat," says a buyer for a California specialty chain with sales of $1 million. "The important features are high back, padded grab bar and quick release. People are coming in with younger kids, but I think a child should be at least 1 year old before putting him into a seat."

Most seats come with a safety warning on the package limiting them to children weighing 40 lb., but there is no age or height grading on the packaging.

With many advances already made in child carrier safety, the next step seems to be to make them more fashionable, too. "When the products were first made," says Morrie Bishaf, president of All American Products, "someone decided to make them yellow as a safety feature, thinking this was a highly visible color. Now we see a demand for different colors and make them in ivory, tan and red as well as in the familiar yellow." ☐

TOYS

Name brand sells preschool lines

Even during the recession, quality goods tended to outperform questionable grade merchandise. But eventually, spiraling prices caught up with quality perceptions, dampening sales.

For example, retailers believe Fisher-Price, the recognized leader in preschool toys, makes a quality product. But they lament that it also tends to be the most expensive line. "They priced themselves right out of the picture," says Tom Castle, buyer for The Broadway. "It was hard to sell their products even though they were so good."

Nevertheless, most retailers say Fisher-Price dominates their shelves, representing 30%-35% of the preschool mix. But there has been some pruning. "We started to de-emphasize the line four years ago when Fisher-Price had two price increases in one year," says a spokesman for Ammar's, a 13-store discounter headquartered in Virginia. "Before, the line had represented close to 45% of our sku's." Now the discounter says his mix is more in line with industry averages, and adds that although his unit sales have decreased, his dollar volume in Fisher-Price has remained constant.

Catalog showroom giant Service Merchandise decreased its Fisher-Price presentation this year, but as part of a total consolidation within the toy area. "We were generally over-sku'ed," says a spokesman.

Not all retailers have cooled to this line, however. Even with high prices, consumer recognition makes it an integral part of any toy mix.

Preschool sales hit five-year low

Year	Preschool population (000 omitted)	Preschool sales at retail (000 omitted)	Average dollar amount spent per child
1978	19,269	$609,268	$31.62
1979	19,626	644,646	32.85
1980	20,078	669,120	33.33
1981	20,580	705,840	34.30
1982	21,116	633,706	30.01

Source: CSA research

"We've even increased our commitment to Fisher-Price over the past five years," says Richway buyer Randy Cohn, "because of our image of carrying name brands. No other manufacturer has a larger representation on our shelves."

Industry battered: Last year it didn't matter whose name was on the package. The toy industry was battered by price resistance, coupled with the tremendous demand for electronics and video games, the recession and high unemployment. While always considered to be insulated from the electronic/video game onslaught, sales for the infant/preschool category actually de-

Many retailers are beefing up their once-neglected infant and preschool toy departments.

clined from $705.8 million in 1981 to $633.8 million last year. At the same time, video game volume increased 106.7% from $1.5 billion in '81 to $3.1 billion in '82.

In fact, based on the total preschool population and retail sales in this category, the average amount spent per child in the United States in '82 was $30.01, the lowest figure in five years.

"Family budgets got stretched too thin last year," says a toy industry source, "so parents didn't purchase new toys. Maybe they bought the older child in the family a computer or video game, and this became the family gift. A lot of retailers put their open to buy into electronics, too, which meant fewer dollars into traditional toys."

Suppliers learned a lesson last year, and many went to Toy Fair '83 with a renewed commitment to improving sales by either reducing or holding the line on their prices. Both Fisher-Price and Child Guidance report they have rolled back prices on some items.

So far these efforts to win back the business seem to be paying off. The improved economic picture, the diminishing appeal of video and the increasing birth rate all have reinforced the general recovery. "Preschool is generally good after a recession," says Fisher-Price spokesman Ed Powderly. "Parents are ready to come back to the basics and buy things they were forced to do without for themselves and their kids."

"Traditional toys are doing well now," says Harold Vogel, industry analyst for Merrill Lynch. "It should be a good growth year for toy companies once again, but you must look at just the traditional toy business. Mattel, for example, is having a record year in toys, but electronics is bleeding them dry."

Fisher-Price dominates most retailers' shelves, representing 30%-35% of the preschool mix

Retailers are also feeling the effect of increased toy sales, and many are beefing up their neglected infant and preschool departments. Montgomery Ward is expanding its entire toy business so it will have a strong year-round presence instead of just a fourth-quarter push. Part of the reason is the increased pool of mini-consumers available as the preschool population continues to grow.

Within the general preschool heading are two categories—infants and 2- to 6-year-olds. Most manufacturers use different packaging to subtly differentiate between them. Retailers also tend to merchandise the categories separately.

At Toys "R" Us, the opening preschool wall starts with inexpensive pegged toys—rattles, teethers—then shows the main brands of boxed infant toys with each manufacturer's products grouped together. Preschool toys follow, displayed similarly by manufacturer. A parent can walk in and easily find a selection of brand name toys as well as a smaller selection of lesser-known brands.

At Child World/Children's Palace, the category is displayed with preschool leading into infants, which easily makes a transition into infant furniture and accessories. Both toy supermarket chains utilize floor-to-ceiling displays, using the top shelves for additional storage.

Neither toy chain devotes as much space to infants as to preschool, but some stores are moving

Plush toys are still perennial favorites with the younger set.

in the opposite direction. At The Broadway, the infants' toy area is being beefed up while sku's are reduced in preschool. "Naturally, as the population grows older, we'll have to readjust our assortments. But for the moment, we see the bulk of our business in infants," says buyer Castle.

Brand name loyalty: Fisher-Price is still the most widely recognized name in the business, and retailers agree that a strong presentation is necessary. The company has the most facings in both Toys "R" Us and Child World. "Mothers who played with a particular toy come in looking for it," says Montgomery Ward buyer Gordon Maxson. "There's always a strong demand for the leading brand names."

This brand name loyalty is extremely important to toy sales, and most manufacturers advertise to the parents, trying to underscore the name brand awareness. The consumer is bombarded with names: Playskool, Hasbro, Mattel, Tomy and Child Guidance, to name a few, are out to create strong consumer familiarity. Shoppers tend to develop certain expectations of what a toy from a certain manufacturer should be.

This year Child Guidance plans to advertise product categories as well as individual items to reinforce its name. "Advertising aimed at kids can create almost a fad effect," says Child Guidance spokesman Alan Blum. "This can be good in the short term, but it doesn't encourage long-term growth."

The company will also offer substantial rebates during the fourth quarter, from $1.50 on the Busy Box (about $15 at retail) to $15 on Clip Clop the Wonder Horse (about $70 at retail). "We have a surprisingly high response to rebates, especially as the retail of the product goes up," says Blum.

Toy manufacturers feel that the increasingly older and better-educated new parents—and especially the large percentage of working women—are more aware of the importance of quality and how toys can positively affect a baby's growth and development at an early age.

"Customers ask for toys by brand name," says Mary Beth Benore, buyer for Hobby Center Toys, a 23-store specialty toy chain. "This is especially true with new parents and grandparents, when only the best will do."

"Although there's always room on the shelves for a well-made toy," says a spokesman for G. C. Murphy, "brand names are important. We usually use a logo in our advertising, and we display toys by manufacturer to help the customer find his selection."

With the baby boomlet expected to continue through at least the coming two years, toy manufacturers and retailers are optimistic about increased sales opportunities. "For the future, it's important to watch changes in lifestyle and try to develop products that go with these changes," says Powderly.

Since it takes at least two years to go through all the stages of testing and refining before a toy reaches the consumer, manufacturers are under the gun to keep ahead of trends. "Kids today are more sophisticated," says Castle. "With their increased exposure to technology, we have to keep up with them. For example, does a 6-year-old kid really want a plastic phonograph or does he already want a stereo?" ☐

Quality products dampen repeat sales

One complaint of infant and preschool toy buyers is that there have been no real innovations in the category. The most popular items have been at the top of the charts for years and have become almost trademarks of the various manufacturers.

Fisher-Price has Rock-A-Stack and radios. Playskool is widely known for its mail box and pounding bench. Child Guidance is associated with the Busy Box. "The toy manufacturers have expanded on the sameness instead of developing new concepts," says a buyer for a West Coast department store.

With little new on the market, there's no reason to buy more toys when the old ones are just as good

While the quality name sells the product, it also works against repeat sales. One of these toys, purchased for a first child, lasts so well it isn't necessary to buy another for additional siblings. And with little new on the market, there's no reason to buy additional toys when the old ones are just as good.

One new development has been the recent toy offerings from Johnson & Johnson. "None of their entries are similar to other companies," says Tom Castle, buyer for The Broadway. "And they use sound and movement effectively to interest the child."

Johnson & Johnson joined the retail toy market in 1980 with infant toys but has since added to the line with toys for children up to age 4.

"We're not in the toy business, but the child development business," says Paul Boorujy, vp/gmm child development for Johnson &

Big 3 flex muscles; Allied, ADG head profit parade

	2nd quarter (000 omitted)			1st half (000 omitted)		
	'82	'83	% change	'82	'83	% change
Penney[3]	$ 61,000	$ 55,000	− 9.8	$116,000	$113,000	− 2.6
Sears[1,2]	80,500	124,500	+ 54.7	63,400	111,700	+ 76.2
Ward	(27,000)	4,000	—	(71,000)	(15,000)	—
Subtotal	114,500	183,500	+ 60.3	108,400	209,700	+ 93.5
K mart	60,700	117,700	+ 93.9	66,500	162,300	+144.1
G. C. Murphy	1,895	4,675	+146.7	1,958	6,377	+225.7
Rose's	1,048	4,848	+362.6	2,463	7,859	+219.1
SCOA[1] (Hills)	2,435	3,785	+ 55.4	3,349	3,388	+ 1.2
Wal-Mart	23,763	41,475	+ 74.5	41,947	68,978	+ 64.4
Woolworth[1,3]	3,000	16,000	+433.3	(2,000)	17,000	—
Zayre	2,563	8,894	+247.0	4,595	15,569	+238.8
Subtotal	95,404	197,377	+106.9	118,812	281,471	+136.9
Allied	5,093	16,087	+215.9	7,462	29,176	+291.0
Associated Dry Goods	5,244	17,407	+231.9	5,713	20,816	+264.4
Carter Hawley Hale	1,735	4,670	+169.2	7,012	10,875	+ 55.1
Dayton Hudson[3]	26,310	35,254	+ 34.0	42,794	56,982	+ 33.2
Federated	21,500	40,600	+ 88.8	50,600	83,600	+ 65.2
May Co.	20,560	30,961	+ 50.6	32,105	51,235	+ 59.6
Mercantile	10,220	12,347	+ 20.8	18,992	24,239	+ 27.6
Subtotal	90,662	158,046	+ 74.3	164,678	276,923	+ 68.2
Cole National	450	931	+106.9	(465)	450	—
Oshman's	1,291	2,035	+ 57.6	1,970	1,021	+ 92.9
Toys "R" Us	4,431	7,113	+ 60.5	6,947	12,470	+ 79.5
Subtotal	6,172	10,079	+ 63.3	8,452	13,941	+ 64.9
The Gap	811	1,658	+104.4	1,374	3,353	+144.0
The Limited	5,225	15,768	+201.8	9,497	25,673	+170.3
Miller Wohl	2,705	3,181	+ 17.6	7,034	6,866	− 2.4
Subtotal	8,741	20,607	+135.8	17,905	35,892	+100.5
Total	315,479	569,609	+ 80.6	418,247	817,927	+ 95.6

[1] Consolidated operations only.
[2] U.S. merchandising only.
[3] Continuing operations only.
( ) indicates loss.
Source: *CSA* research

National chains follow recovery's lead

Profits for the nation's retailers continued to follow the path blazed by a strong economic recovery. Profits were up 80.6% in the second quarter for the 23 chains tracked by *CSA*. For the first half earnings were up 95.6%. The latest results, however, are in comparison with weak earnings reports during the same period in 1982. Profits for the 23 chains were up only 7.7% in last year's second quarter.

Nevertheless, there was a continuation of encouraging earnings trends among the nation's largest retailers. Sears second-quarter profits were up 54.7% (76.2% for the half) from $80.5 million in 1982 to $124.5 million. K mart, the nation's second-largest retailer, continued its own economic rebound with a 94% earnings hike (144.1% for the half) from $60.7 million in 1982 to $117.7 million.

Even troubled Montgomery Ward posted a second-quarter profit—$4 million compared with a $27 million loss during the same period in 1982.

Among retailing groups, the specialty apparel chains paced the second-quarter profit jump with a 135.8% increase (led by The Limited, which reported a 202% earnings hike). The seven variety discount chains, led by Woolworth and Hendersonville, N.C.-based Rose's, followed with a 106.9% earnings increase. The Big 3 chains finished last among the five retailing segments with a 60.3% second-quarter profits increase.

Record debut for Brannam unit

The August opening of an Atlanta J. Brannam store was "the most successful" in the 4-year-old chain's history, says a company spokesman. About 5,000 shoppers visited the 25,000-sq.-ft. store on opening day—three times the average turnout, says one chain insider.

A saturation ad campaign, the merchandise (featuring Izod and Ralph Lauren, to name a few) and the Abernathy Square Shopping Center location (about 175,000 cars pass by each day) were credited for the record showing.

This success, however, doesn't spell smooth sailing for Brannam. Industry observers point out that off-price openings generally create a stir and that staying power will be harder to establish in the already off-price saturated Atlanta market. As one former Woolworth topsider warns, "Brannam has to make it within the next two years or it's not going to make it at all" as the off-price industry grows rapidly.

***Discounted brand name** lines contributed to opening day success.*

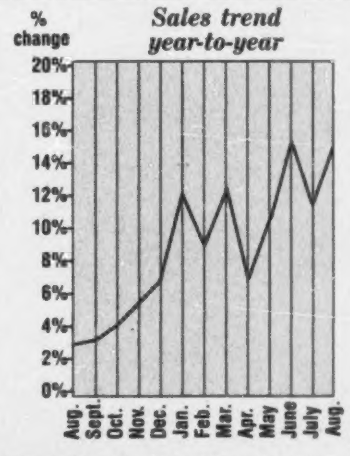
Brannam sales soared 49.1% last year, but net income slumped to a loss of $5 million in a year ripe for off-price stores. (Brannam has yet to show a year-end profit.) Topsiders are hoping the more upscale prototype will reverse the chain's fortunes.

Atlanta could be the start. The August opening is the second Brannam in the market—an area store officials envision as a six-unit market. Two more stores will open in Atlanta by next spring, they report.

Back-to-school boosts sales to steamy high

Prior to the release of August's retail sales results, some predicted that consumers were tempering their post-recession spending ways. They should have waited for the official returns: Sales for the 25 chains tracked by *CSA* were up 15.2%—the second highest percentage increase this year.

While the August results were overstated because of poor August 1982 sales, retailers were encouraged as they moved closer to the crucial Christmas shopping season.



Composite of sales trends comparing monthly change vs. prior year for the 25 retail companies tracked by *CSA*.

Improved back-to-school sales helped volume.

K mart reported a 15.6% same-store sales increase due "largely to the brisk movement of back-to-school goods," Bernard Fauber, the discounter's chairman, said. "School supplies and fall clothing sold well, and our customers began buying back-to-school merchandise earlier this year than last."

K mart's overall sales were up 16.3%, the chain's largest monthly sales hike since January 1982, officials said.

The nation's department stores also recorded strong August volume increases. Carter Hawley Hale's department store division logged a 19.7% same-store sales hike, while its overall operations were up 16.1% on a comparable-store basis. New York-based R. H. Macy reported a 15.1% same-store hike with comparable stores up 16.7% so far this year. Total sales were up 18%, from $232.1 million in 1982 to $273.9 million.

Among discounters, Bentonville, Ark.-based Wal-Mart's same-store sales rose 15% (14% for the year). And Braintree, Mass.-based Bradlees' same-store sales were up 10%.

The nation's Big 3 catalog chains notched modest sales increases in August. Sears continued to profit from a big-ticket durable surge while logging a 7.3% sales hike for its domestic operations. Meanwhile, J. C. Penney's sales—*excluding* its discontinued hard lines departments—were up 7.3%, paced by junior sportswear, women's outerwear, home computers and telephones.

Spending keeps sales from going to the dogs

		August sales*		Stores		7-mo. sales		
Major chains	**% change**	**1983**	**1982**	**1983**	**1982**	**1983**	**1982**	**% change**
Sears[1]	+ 20.0	1,847,584	1,539,308	818	847	12,060,538	10,861,784	+ 11.0
Penney	+ 5.2	868,000	825,000	2,034	2,059	5,350,000	5,186,000	+ 3.2
Ward[1]	+ 5.9	433,853	409,629	376	388	3,049,170	2,930,350	+ 4.0
Federated[1]	+ 9.4	516,100	471,900	529	474	3,591,500	3,166,900	+ 13.4
Dayton Hudson	+ 21.6	515,514	423,949	1,052	928	3,355,157	2,728,114	+ 23.0
May Dept. Stores	+ 14.3	298,700	261,300	1,530	1,347	2,062,500	1,787,800	+ 15.4
R. H. Macy	+ 18.0	273,900	232,100	92	91	1,863,400	1,572,800	+ 18.5
Allied Stores	+ 12.1	249,300	222,300	556	527	1,809,900	1,577,900	+ 14.7
Carter Hawley Hale	+ 20.8	240,000	198,700	1,060	988	1,732,600	1,486,300	+ 16.6
Associated Dry Goods	+ 22.0	251,900	206,500	319	N/A	1,768,000	1,522,000	+ 16.2
Mercantile	+ 11.1	127,807	114,993	86	83	799,916	702,717	+ 13.8
K mart	+ 16.3	1,380,873	1,187,723	2,136	2,089	9,995,593	8,941,060	+ 11.8
Woolworth	+ 8.5	414,307	381,781	N/A	N/A	2,820,568	2,677,148	+ 5.4
Wal-Mart	+ 40.8	397,000	282,000	610	520	2,351,000	1,736,000	+ 35.0
Household Merch.[2,3,5]	− 4.0	235,661	245,403	3,667	3,769	1,554,765	1,620,243	− 4.0
T.G. & Y.	− 8.4	160,481	175,168	834	927	1,068,555	1,128,376	− 5.3
Zayre[4]	+ 17.7	199,522	169,580	697	609	1,291,768	1,084,718	+ 19.1
Bradlees	+ 45.8	93,600	64,200	123	98	537,800	401,900	+ 33.8
Murphy	+ 6.4	59,714	56,112	409	427	451,749	445,362	+ 1.4
Rose's	+ 29.5	76,002	58,707	243	237	433,099	352,658	+ 22.8
Heck's	− 3.4	36,500	37,800	121	119	256,700	232,900	+ 10.2
Jamesway	+ 17.2	31,965	27,265	77	68	210,724	170,362	+ 23.7
Melville	+ 15.9	318,771	274,954	5,673	5,377	2,198,643	1,864,515	+ 17.9
Tandy	+ 15.3	205,816	178,431	N/A	N/A	1,361,802	1,152,755	+ 18.1
Edison Bros.	+ 9.6	79,174	72,227	2,162	2,129	618,816	561,077	+ 10.3
The Gap	+ 3.7	53,500	51,600	562	541	232,400	221,700	+ 4.8
Totals & Averages	**+ 15.2**	**9,205,063**	**7,993,512**	—	—	**61,758,108**	**54,985,063**	**+ 12.3**

*000 omitted. N.C. = no change. N/A = not available.
[1] Store number for full-line outlets only. [2] Includes 2,828 franchise stores (vs. 2,834 a year ago). [3] Includes T.G. & Y. sales. [4] Includes 271 Zayre stores (vs. 265 a year ago), 321 Hit or Miss stores (vs. 265) and 105 T. J. Maxx stores (vs. 79). [5] Excludes supermarket sales.

Chains outpace stock market price hikes

The average stock price of retail chains in the first quarter significantly outpaced the stock market as a whole, according to a July report authored by Fred Wintzer Jr., a Lehman Brothers Kuhn Loeb retail analyst.

For the three months ended June 30, Wintzer reported, "The stock price of the average publicly held retailer increased 22.2% while the market advanced only 10.7%." Apparel chains led the retail group with a 41.8% quarterly stock increase, followed by furniture stores (34.5%) discounters (31.5%) and drug store chains (24.2%).

Over a three-year period, Wintzer said, retailers' stock jumped 266.4% while the market was up 48% during the same period.

APPAREL merchandising

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WHO WILL SCARLETT CHOOSE THIS TIME?

Thalhimers
Belks
Miller & Rhoads
Ivey's

WOMEN SHOPPERS FALL FOR MEN'S UNDERWEAR

WEEKEND CLOTHES: HOTTEST CATEGORY IN MEN'S WEAR

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APPAREL merchandising

11 Four belles of southern retailing—Ivey's, Thalhimers, Miller & Rhoads and Belks—are locking horns in Dixie. The object: to become the dominant southern department store. Insiders put Thalhimers and Belks ahead.

14 Weekend wear won't be loafing about in the next year. It's still the fastest-growing men's wear category, with no peak in sight.

16 Knit polo shirts are a wardrobe staple. Men have been shunning emblems in favor of nonemblem shirts, a Gallup survey shows. Symbols like Izod's crocodile and Penney's Fox are maintaining recognition, though.

COVER PHOTOGRAPH
BY TED HARDIN

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DEPARTMENTS

19 Short-sleeve dress shirts have become more acceptable to younger men. Retailers are also stocking them for longer seasons to take advantage of men dressing to fit the climate.

21 Surf-influenced young men's wear is sweeping over the East Coast and bubbling up in the Midwest. The looks, epitomized by Hobie and Ocean Pacific, are becoming "status" for young men.

25 Are there no male bastions left? Women want underwear just like men's. Established men's names like Jockey and Calvin Klein are setting the pace in cotton undergarments for women.

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29 To compete with Kids "R" Us, the new off-price children's wear chain, retailers may be forced to keep national brands on sale year-round.

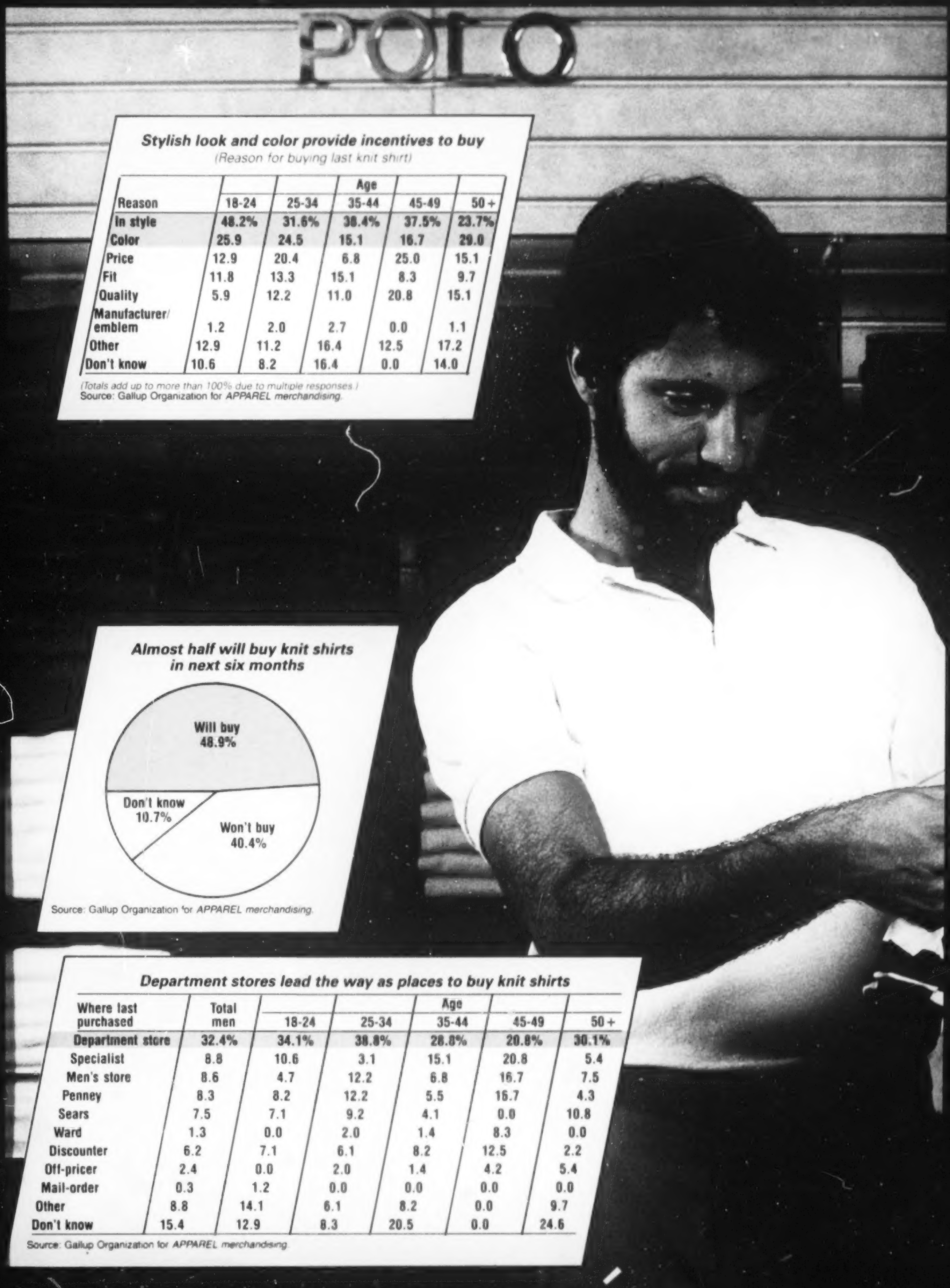
32 Prom dresses are no fashion anachronism in Pittsburgh—not for the Four Seasons boutique, which caters to "special occasions." What's in with teens: soft, feminine, Scarlett O'Hara frocks.

35 Matthew Powell, dmm at Jordan Marsh, studies the beat of young men's wear at the uptrending Boston department store.

37 Sears leads Penney in men's suit sales, scoring gains from January to April 1983.

39 Specialty stores serve career women better, claims Brenda Koskinen, founder of Boston-based Amalia, which counters department stores' larger space with service and expanded assortments for busy women.

40 Oxford Industries' private label division has been going great guns while its branded division, Merona, has been basking in the limelight. Savvy chains and discounters have found they can get attention-drawing collections without the price points of brands.



Stylish look and color provide incentives to buy

(Reason for buying last knit shirt)

Reason	Age 18-24	25-34	35-44	45-49	50 +
In style	48.2%	31.6%	38.4%	37.5%	23.7%
Color	25.9	24.5	15.1	16.7	29.0
Price	12.9	20.4	6.8	25.0	15.1
Fit	11.8	13.3	15.1	8.3	9.7
Quality	5.9	12.2	11.0	20.8	15.1
Manufacturer/ emblem	1.2	2.0	2.7	0.0	1.1
Other	12.9	11.2	16.4	12.5	17.2
Don't know	10.6	8.2	16.4	0.0	14.0

(Totals add up to more than 100% due to multiple responses.)
Source: Gallup Organization for *APPAREL merchandising.*

Almost half will buy knit shirts in next six months

Source: Gallup Organization for *APPAREL merchandising.*

Department stores lead the way as places to buy knit shirts

Where last purchased	Total men	Age 18-24	25-34	35-44	45-49	50 +
Department store	32.4%	34.1%	38.8%	28.8%	20.8%	30.1%
Specialist	8.8	10.6	3.1	15.1	20.8	5.4
Men's store	8.6	4.7	12.2	6.8	16.7	7.5
Penney	8.3	8.2	12.2	5.5	16.7	4.3
Sears	7.5	7.1	9.2	4.1	0.0	10.8
Ward	1.3	0.0	2.0	1.4	8.3	0.0
Discounter	6.2	7.1	6.1	8.2	12.5	2.2
Off-pricer	2.4	0.0	2.0	1.4	4.2	5.4
Mail-order	0.3	1.2	0.0	0.0	0.0	0.0
Other	8.8	14.1	6.1	8.2	0.0	9.7
Don't know	15.4	12.9	8.3	20.5	0.0	24.6

Source: Gallup Organization for *APPAREL merchandising.*

Consumer Watch

men's knit shirts

Men's cotton and cotton/poly knit shirts have become a wardrobe staple. And popularity of the casual shirt shows no signs of waning, according to a recent poll conducted by the Gallup Organization for *APPAREL merchandising.*

What do appear to be ebbing in demand, however, are emblems, which have been splashed across more men's chests in recent years than sailors' tattoos. Some 74% of all men surveyed reported owning more knit shirts *without* emblems than with emblems.

Men reported owning an average of nine knit shirts—four with emblems and five without. In addition, almost half of the men surveyed plan to buy more knit shirts, either with or without emblems, in the next six months. Young men, aged 18-24, were most likely to buy, with an overwhelming 63.6% of this age group planning on future knit shirt purchases. Men earning over $25,000 were also more likely than the average man to buy knit shirts (58.1% vs. 48.9%) as men out West, where 57.9% planned to buy in the next six months.

Has the proliferation of emblems in the market dampened the appeal of status logos? Some retailers think so, and are remerchandising accordingly. While knit shirts are continuing strong at the expense of woven shirts, Paul Rogers, men's national fashion director at Sears, sees nonemblem shirts performing better than emblems. As a result, Sears is pruning assortments. "If we had five items that had emblems before," Rogers says, "we've pulled back to two. But we're maintaining the strength of those two and doing the rest in nonemblem."

While others agree that nonemblems are picking up in sales, they feel that it has nothing to do with an antistatus backlash. Rather, it's due to the increasing importance of stripes and other fancy knit shirts, where the emblem is either unnecessary, or detracts from the look of the shirt. Reportedly, Izod plans to double the number of emblemless offerings in spring.

Few industry analysts are ready to write obituaries for emblems entirely. The shakeout appears to be coming for logos that have failed to establish a niche, either status or quality, among consumers. And this trend raises major questions about K mart's recent introduction of its Hunters Glen line, signatured by a horse.

Backlash or not, "the emblem is not the thing that sells the item today," says Bob Horwitz, dmm/men's wear at Minneapolis-based Dayton's. And according to the *Am* survey, men do not shop emblems or manufacturers' names when selecting knit shirts. The most important factor, the survey reveals, is style. More than one-third of the men surveyed cited wanting to be in style as the most important reason for selecting their last knit shirt. Almost half of men aged 18-24, the prime knit shirt shoppers, chose a shirt on the basis of looks. Color is also important, with one-fourth of the men selecting a knit shirt because they liked the color. Price, fit and quality were of little interest to younger men, but men aged 45-49 were more conscious of price and quality than color.

Still, men are aware of certain emblems. When asked to name emblems they were familiar with, 69.2% mentioned Izod's reptile (a crocodile, commonly called an alligator), with more than 8 of 10 men aged 25-34 and earning over $25,000 recognizing the 50-year-old symbol. J. C. Penney's private label Fox was also well-known: one-third of all men named the symbol, as did more than 40% of men aged 25-34, or earning over $25,000 annually. Ralph Lauren's polo pony, Campus' Tiger and Sears' Dragon label fared poorly.

While Izod, the Fox and Polo topped the list of emblems purchased most recently, more men said they bought shirts with no emblems (33.8%) than any single emblem, including Izod (only 27.6% grabbed the reptile). Only among men aged 45-49 did any emblem (Izod, with a 45.8% share) perform better than nonemblem shirts (purchased by only 25%).

Most men purchase knit shirts at department stores, with keystoners capturing about one-third of all knit shirt sales. Men aged 45-49 were torn between shopping at department stores and specialists, with an equal number, 20.8%, shopping at each store type. Of the Big 3 catalog chains, Penney was shopped more often than Sears or Ward for knit shirts, especially among men aged 25-34 and 45-49. *Am*

PHOTOGRAPHED BY STEVE FEEHAN AT LORD & TAYLOR, NEW YORK CITY